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More Commentaries on Peacetime Military Conscription Issue

We are able to accommodate in this issue some more of the expressions received in connection with our symposium on the proposal calling for a program of compulsory military training in peacetime. As noted in our issue of Nov. 23, in which we published an initial group of expressions, our sole object in conducting this survey is for the purpose of helping to clarify public thinking on the question. With this thought in mind, we would be pleased to receive the views and opinions of those who desire to express themselves in the matter and would ask that such comments be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New Nork 8, N. Y.

In connection with this symposium, we would call attention to several recent discussions of the subject which appeared in the "Chronicle" of Oct. 26, starting on the cover page. These reflected the opinions of, respectively, a prominent Catholic educator, members of the New York Synod of the Presbyterian Church, and the President of a prominent educational institution.

As already stated, we are reproducing herewith some of the unpublished remarks now in hand; others will be given in subsequent issues.

J. B. JESSUP
President. Equitable Trust Co., Wilmington, Del.

I have long been in favor of some program of "compulsory military training" in peacetime, and no recent developments have changed my personal opinion.

I think that nearly every parent will agree that their boys have benefited by military **training** during the war.

It is doubtful whether a full 12-month period would be necessary—perhaps even three to six months would be sufficient.

If this country maintains an adequate Army and Navy, and a continual flow of partially trained young men, the chance of future war and the loss of life caused by unpreparedness in the event of future war would, in my opinion, be greatly reduced.

Index of Regular Features on page 2376.

HON. RAYMOND E. WILLIS
U. S. Senator from Indiana

I am still old-fashioned enough to have faith in the fundamental policies as being superior to the so-called efficiency of Europe which is now meeting its death blows at the hands of an army raised up over a free government.

Sen. R. E. Willis

I do think we need some education in health, discipline and organization to support government in times of crisis but have not clearly formulated a plan under which these desirable objectives can be affected.

(Continued on page 2362)

An Economic Basis For Post-War Business Planning

By MURRAY SHIELDS*

Economist, Irving Trust Company, New York

Bank Economist Lists as Post-War Planning Factors: (1) The Vast and Rapid Increase in Production; (2) Colossal Domestic Consumption Potential; (3) Pent-up Durable Consumers Goods Demand; (4) Wartime Savings and (5) the Heavy Federal Revenue Needs. Sees a Difficult Job in Industry's Reconversion and Stresses Need for a More Active Investment Market, Balanced Budget, Reduced Taxes and Stable Prices as Essentials for Durable Prosperity.

We live in a turbulent and troubled period; the amplitude of economic fluctuations is exceedingly wide and structural changes of a quite far-reaching character are the rule rather than the exception. Under such conditions the planning function has come to occupy an important place in the management of American business enterprise, and business concerns have found no alternative but to arrange their affairs so as to attempt to take advantage of or to avoid disadvantage from cyclical

Murray Shields

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*An address made by Mr. Shields before the 36th Annual Meeting of the Grocery Manufacturers of America, Inc., at the Waldorf-Astoria Hotel, New York City, Nov. 21, 1944.

(Continued on page 2360)

Post-War Taxation And Its Effects

By RANDOLPH E. PAUL*

Former Treasury Official Predicts a Post-War Federal Budget of $25,000,000,000 and Contends if Excess Profits and Capital Stock Taxes Are Repealed There Will Be a Treasury Deficit. Maintains That the Post-War National Income Must Be Kept at the 1943 Level and That Business Investment Must Balance Savings Resulting From This High Level, if "Full Conversion" With 56,000,000 Jobs Is to be Attained. Foresees No Spending Spree and Suggests Reduction in Excises to Increase Consumption and Lowering of Corporate Tax Rates to Encourage Investment.

Nothing is so pleasing to a speaker as to be invited back. A return engagement is a kind of a badge of previous good behavior. When we last met together in 1942 we talked about some of the taxation and economic problems engendered by the war. We were then still feeling our way along as a nation at war. Now we are grown old in the experience of this war and we have gone a long way in solving our war-time problems. Tonight, however, you have challenged me with the harder task of projecting the discussion into the longed-for peace-time period, the

Randolph E. Paul

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*An address made by Mr. Paul, a partner of Lord, Day & Lord, Attorneys, New York, and former General Counsel of U. S. Treasury, before the Taxation and Price Division of the New York Chapter of the American Statistical Association, Nov. 28, 1944.

(Continued on page 2358)

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A Proper Government Labor Policy

By GILBERT H. MONTAGUE*

New York Attorney Attacks the Encroachment of the Labor Power Upon the National Government and the Administration's Policy of "Labor Appeasement." Contends That "Maintenance of Membership" Clauses in Labor Agreements Is an Undemocratic Restriction on the Rights of Workers and of Employers and Constitutes a Threat to Post-War Harmonious Industrial Relations. Maintains That the First Step Toward a Proper Government Labor Policy Is Elimination of the "Appeasement Complex."

Gilbert H. Montague

In June, 1858, in Springfield, Illinois, Abraham Lincoln was nominated for United States Senator in opposition to Senator Stephen A. Douglas.

Lincoln's acceptance speech is historic, because in it Lincoln first used the phrase "A house divided against itself cannot stand." But another passage in that speech is also historic.

Lincoln was impressing upon his audience the steady encroachment of the slave power upon the national government, as shown in successive acts of Senator Stephen A. Douglas, President Franklin Pierce, Chief Justice Roger A. Taney, and President James Buchanan — names as well known to Lincoln's audience in 1858 as are the names of Senator Wagner, William H. Davis, President Roosevelt, and Sidney Hillman to this present audience.

"We cannot absolutely know that all these exact adaptations are the result of preconcert," said Lincoln. "But when we see

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*An address by Mr. Montague, a member of the New York Bar, before the Annual Meeting of the National Founders Association, Hotel Stevens, Chicago, Ill., on Nov. 17, 1944.

(Continued on page 2364)

Cooperatives in Finance

By WILLIAM HURD HILLYER

Writer Calls Attention to Spread of Cooperatives in Recent Years and Estimates That Movement Now Is Better Than a Billion Dollar Affair. Notes the Extension of Movement to Banking, Finance and Investment and Concludes That the Chief Danger Bankwise Is Not so Much From New and Revolutionary Competition as From Absentee Ownership.

William H. Hillyer

Consumer cooperatives in the United States, together with related enterprises abroad, are initiating the most ambitious monetary program ever undertaken through non-government means. Its proponents envision a "System of Cooperative Finance"—implemented by bonds and notes, common and preferred shares — embracing fiscal associations, credit unions, banks and insurance companies. The avowed ultimate object is to eliminate debt in finance as well as profit in business.

America's cooperative movement, after languishing for a couple of generations, has become a better than billion dollar affair and is growing steadily. Latest semi-official figures put its retail distribution at $468 million annually, including $225 million of petroleum products; various "cradle-to-the-grave" services such as meals, housing, medical care and burial, account for $12½ million; distributive departments of farmers' marketing associations handle $180 million; electric and telephone associations $40½ million—a total of $701 million annually. When to this sum is added $360 million loans by credit unions

(Continued on page 2355)

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Morgan Stanley Will Admit Hall, Wilson And Wright Jan. 1

Applications are being filed with the New York Stock Exchange requesting approval of the admission, effective Jan. 1, 1945, of Messrs. Herbert S. Hall, Walter W. Wilson and John Story Wright as general partners in the firm of Morgan Stanley & Co., 2 Wall Street, New York City.

Bachrach

Herbert S. Hall

John Story Wright

Mr. Hall is retiring on Dec. 31, 1944, from the firm of W. E. Hutton & Co., of which firm he became a general partner in January, 1941. He is a brother of Perry E. Hall, one of the partners of Morgan Stanley & Co., and has been in Wall Street since his graduation from Princeton University in 1928. He was formerly with the Guaranty Company and Field, Glore & Co.

Mr. Wilson became associated with Morgan Stanley & Co. in June, 1937. He is a graduate of the University of Pennsylvania and the School of Business Administration at Harvard University. Formerly he was associated with the Continental-Illinois National Bank & Trust Company in Chicago.

Mr. Wright is also with the Morgan Stanley firm, having joined its buying department in September, 1935. He was with Drexel & Co., Philadelphia, from 1923 until he came to New York in 1935. He is a graduate of Princeton University, Class of 1923.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

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SEC Renders Decision On "5% Spread"

Despite the Finding That the "5% Spread Philosophy" Is not a Rule, the Order States That No Presumption of a Violation Arises Solely On the Basis That a Spread in Excess of 5% Has Been Taken. A Victory For the Vigorous Campaign the "Chronicle" Has Conducted to Preserve Free Trade and a Fair Trial for Security Dealers and Brokers. Praise Given to Those Who Opposed Measure.

On the 25th day of November, 1944, the Securities and Exchange Commission handed down an order saying it would take no action under Section 15A (k) of the Securities Exchange Act of 1934 on the "5% spread." (Full text of the decision appears in this issue, starting on page 2349.)

The order itself is terse, but it is based upon a 28-page opinion of the Commission, holding that the 5% philosophy is an "interpretation" and not a rule.

The opinion proper, however, is anything but lacking in comfort to those of us who have been conducting a vigorous campaign to preserve our way of life, to prevent an out and out limitation on spreads, and to secure a fair trial for dealers and brokers in securities.

The Commission considered the NASD letter of Nov. 9, 1943, particularly the provision to the effect that when transactions show a mark-up of over 5% on the part of a member, "a duty is imposed upon the member to show to the satisfaction of the District Business Conduct Committee that no violation has occurred."

The following observations of the Commissioners are most noteworthy:

> **"We therefore think the statement on this point in the letter of Nov. 9 is erroneous, and believe that if a trade practice case were decided on the basis of the presumption stated it would be our duty to set aside the determination upon review."**
>
> **"Our conclusion on this point is that there is at present no rule on which we may act. However, it may be appropriate for the Board or its officers to notify the District Business Conduct Committees that mark-ups in each case are to be viewed in the light of all pertinent circumstances, that no presumption of a violation arises solely on the basis of a spread in excess of 5% and that no accused member has a burden of proving his innocence merely because his spreads have exceeded that percentage."**

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(Continued on page 2369)

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Do Insiders' Transactions Affect Stock Prices?

For years a fetish with the public has been the advantage enjoyed by so-called "insiders" in conducting transactions in their own securities. There has been a belief that the directors and officers of a corporation could use their full knowledge of its operations, earnings and prospects to their personal profit and sometimes to the detriment of outsiders lacking access to such information.

L. H. Bradshaw
Editor
"Investment Timing"

SEC Reports Required

This aspect of security dealings was not overlooked when legislation was enacted to eliminate manipulation and other abuses. The Securities and Exchange Commission, briefly known as the SEC, was created by the Securities Exchange Act of 1934. The law requires monthly reports to be made to the SEC within ten days after the close of each calendar month by the directors and officers of corporations as to changes in ownership and the month-end holdings of their own securities registered on a national securities exchange. These individuals are required to report all changes, giving the amounts and dates, either in their own names or through partnerships, trusts, holding companies or other intermediaries. The changes include all buying and selling transactions, gifts, bequests, stock dividends, compensation, exchange or conversion, redemption, etc.

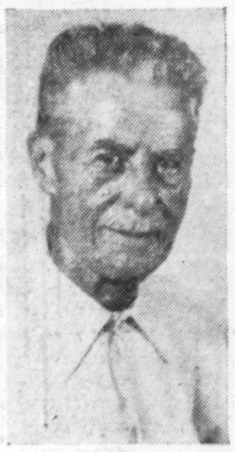
Each month the SEC publishes on Official Summary of the transactions. The Summary covers the period from the 11th of one month to the 10th of the succeeding

(Continued on page 2374)

Great Britain's Post-War Trade Policy and Latin America

Austrian Economist at New School Says a Regional "Sterling" Trade Bloc May Be Set Up

Vigorous criticism of proposals now being widely agitated in England for a post-war trade policy based upon controls within a sterling bloc, was expressed on Nov. 16 by Dr. Richard Schueller at at the New School for Social Research in New York City. Such a policy, he said, if applied to Latin American countries would seriously interfere with trade rather than expanding it.



Richard Schueller

Dr. Schueller, who spoke in a weekly series, "Round Tables on Latin America," is visiting professor to the Graduate Faculty of Political and Social Science of the New School. He left Austria soon after the Anschluss, having served for 40 years as Under Secretary in the Austrian Foreign Office, becoming known as the "patriarch of negotiators," and for 15 years as a member of the Economic Committee of the League of Nations.

Dr. Schueller began his talk by calling attention to the fact that during this war Great Britain has incurred overseas liabilities amounting to eight billion dollars. These liabilities will strongly affect her post-war trade policy. Of these eight billion, more than one billion are liabilities to Latin American countries.

"Some economists," he continued, "suggest that the British should allow all foreign holders of sterling to dispose of their holdings as they please. This suggestion is treated by the British press with irony and not considered worthy of discussion. Another solution, according to the press,

(Continued on page 2353)

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OPA's Reconversion Policy in Practice Retards Full Production

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College

Economist Points Out That OPA Pricing Policy on Reconverted Civilian Products the Purpose of Which, as Stated by Administrator Chester Bowles, Is to "Encourage Maximum Production" and "Yield Good Profits," Is Entirely Ignored in Recent Orders. Cites Domestic Stove Price Regulations as Example.

Dr. Ivan Wright

The essence of the reconversion pricing task confronting the Office of Price Administration is to contribute what it can toward promoting full production and employment in civilian industries, once the full impact of major cutbacks of war orders begins to hit the national economy.

This has been repeatedly recognized by top OPA officials. Price Administrator Chester Bowles himself, in a recent memorandum on reconversion pricing sent to the 8,100 members of the various OPA Industry Advisory Committees, stated:

"The pricing policy on the reconverted civilian products which we adopt to meet the difficult conditions which lie ahead must, in my opinion, accomplish the following:

> "It must encourage maximum production. It must not stand in the way of the manufacturer's desire to produce to the limit of his capacity. This means prices which yield good profits for business, large or small, on the basis of high volume of production."

By making maximum production OPA's first reconversion objective, the Price Administrator clearly recognizes that tight pricing and consequent inadequate profit margins would delay attainment of full production by eliminating high-cost producers at a

(Continued on page 2373)

D. E. White Elected

D. E. White, Addressograph-Multigraph Corp. Vice-President,

D. E. White

has been elected to Board of Directors of Mexican Chamber of Commerce of the United States.

Firm Name Will Be Wagenseller & Durst

LOS ANGELES, CALIF.—Effective Dec. 1, the name of the firm of O'Melveny-Wagenseller & Durst, Inc., will be changed to Wagenseller & Durst, Inc. The firm, which is a member of the Los Angeles Stock Exchange, has its main office at 626 South Spring Street, Los Angeles, and maintains branches in Pasadena, Redlands and Claremont.

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Double Header For Jack Jones

Jack E. Jones, Vice-President of Hartley Rogers & Company, 1411 Fourth Ave. Building, Seattle Wash. is handing out cigars galore for a 6 lb. 8½ oz. boy and a 5 lb. 2 oz. girl. This makes a total of three for Mr. Jones, whose seven year old daughter is thrilled. Mrs. Dorothy Jones and the twins are doing nicely.

Jack recently bought a large home and will have a much larger crop of strawberries with all his little helpers.

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Protecting Minority Stockholders

By PERCIVAL E. JACKSON*

Attorney Points Out That in Corporate Practice a "Majority" May Need Protection From Control by An "Autocratic Minority" and That the Facility With Which Corporation Directors "Who Fail to Direct" Can Perpetuate Themselves in Office Is Contrary to the Democratic Structure of the Corporation. Urges Greater Responsibilities be Placed Upon Directors to Act as a Check on Management and Recommends Cumulative Voting of Stockholders. Also Recommends That Legitimate Investors Organizations be Encouraged and Commends the Work of the SEC and of the Temporary National Economic Commission, and Urges Further Investigation.

Some Definitions

Minority: There are several primary definitions that I want to get clear at the outset. When we talk of the protection of minorities today, we must define "minority" as including a majority, anomalous as that may may seem, for it is not so much that we must protect the minority from the majority as we must protect the majority from its own apathies and disabilities and consequent rule by the minority. While a political majority is a temporary fusion of yesterday's and tomorrow's minorities, a corporate majority in our public corporations is a rather permanent

Percival E. Jackson

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*A lecture delivered by Mr. Jackson, a member of the New York Bar, before the New School for Social Research, New York City, Nov. 17, 1944 as part of a series entitled "Ten Years of the Securities and Exchange Commission — A Review and Appraisal."

(Continued on page 2370)

Now Gunn, Carey Co.; Wm. Koeth Joins Staff

(Special to The Financial Chronicle)

CLEVELAND, O.—Firm name of Robbins, Gunn & Co., Union Commerce Building, with the retirement of Mr. William T. Robbins from partnership, has been changed to Gunn. Carey & Co.

William A. Koeth, formerly manager of the building and loan, and bank claims departments of Ledogar-Horner Company, is now associated with Gunn, Carey & Co.

William Robbins With Ball, Burge & Kraus

(Special to The Financial Chronicle)

CLEVELAND, O. — William T. Robbins, member of the Cleveland Stock Exchange, has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Robbins was formerly a partner in Robbins, Gunn & Co., did business as an individual dealer, and was a partner in Charles D. Gentsch & Co.

Text of SEC's Decision in "5% Mark-Up" Case

Holding That NASD Letters Relating to the 5% Spread Constitute Merely "Letters of Advice" and Not a Rule, the SEC Concludes: (1) That the NASD Board of Governors, Under Art. IV of the Rules of Fair Practice, Has No Authority to Direct, in the Abstract, a Proceeding Against a Member, as Complaints Must Be Filed by District Business Conduct Committees; (2) That There Can Be No Presumption of a Violation of Fair Practice on the Basis of a Spread in Excess of 5% and Therefore Burden of Proof Is Not on Accused Member, and (3) the Letters of October 23 and November 9, 1943, Announcing the 5% "Philosophy," Set Forth a Flexible Criterion for "Mark-Ups," and That Fixing a Definite "Spread" Would Be Contrary to Section 15 A (b)(7) of the Securities and Exchange Act, Which Prohibits Imposing Price Schedules.

The following is the text of the decision of the Securities and Exchange Commission in connection with the "5% mark-up" policy of the National Association of Securities Dealers:

SECURITIES AND EXCHANGE COMMISSION
Philadelphia

In the Matter of
The Rules of the
NATIONAL ASSOCIATION OF
SECURITIES DEALERS, INC.
(Securities Exchange Act of 1934—
Section 15A)

OPINION OF
THE COMMISSION

ASSOCIATION OF BROKERS AND DEALERS

Abrogation of Rules

On petition for abrogation of alleged rules of a national securities association which have not been formally adopted in accordance with Section 15A of the Act or the association's by-laws, but have been circulated as announcements of policy by the Board of Governors, when it appears that the policies so announced do not have the force or effect of rules, although they may be applied by District Business Conduct Committees and the Board of Governors as criteria in deciding individual trade practice cases; **held,** petition dismissed since the policies in question are not rules and the Commission may not abrogate or approve them on their merits apart from individual cases wherein such policies shall have been given specific application.

APPEARANCES:

Edward A. Kole and Abraham M. Metz, for the petitioners.

Baker, Hostetler & Patterson, for the National Association of Securities Dealers, Inc.

Albrecht, Maguire & Mills, for S. C. Parker & Co. Inc.

Frank Dunne, for New York Security Dealers Association.

This proceeding involves objections that have been filed with us regarding a policy announced by the Board of Governors of the National Association of Securities Dealers, Inc. ("NASD") on price spreads and commissions charged by its members in the purchase and sale of securities. The NASD is registered as a national securities association under Section 15A of the Securities Exchange Act of 1934 (the "Act").

Origin of the Proceeding

On Oct. 25, 1943. the Board of Governors of the NASD sent to all of the members of the NASD a copy of the letter which appears in Appendix A of this opinion. This letter stated the result of its survey of gross spreads or mark-ups over current market prices charged by NASD members, and pointed out that 47% of the transactions studied were effected

(Continued on page 2366)

Interstate Aircraft & Eng. Appears Attractive

Intersate Aircraft & Eng. Co. offers an interesting situation according to a circular being distributed by Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges. Copies of this circular may be had from the firm upon request.

Situations Of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

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Public Utility Securities

Approval of the Standard Gas & Electric recapitalization plan by the SEC on Nov. 18, marks a major milestone in the Commission's broad program of integrating and simplifying the utility holding company systems under the law passed by Congress in 1935. The plan has gone through a number of changes. Tentative plans were filed in 1938 and 1940, but these did not go far enough to conform to SEC interpretation of the Act.

In 1941, the Commission ordered the company to dispose of virtually all its scattered properties with the exception of Philadelphia Company (controlling the important Duquesne Light and some gas and traction companies) which it recognized as a single integrated system. This reduced the scope of the system from 20 States and Mexico, to the States of Pennsylvania and West Virginia.

The company took no immediate action, but in March, 1943, filed a comprehensive plan, which appeared to reflect substantial agreement with the Commission's objectives. However, this was disapproved by the SEC in May, 1944, and certain changes were suggested. The company was given 90 days in which to file a new plan, and it complied on August 28th. Hearings were initiated and as the result of discussions with the SEC and the bondholders, amendment were made on Sept. 12 and Nov. 8.

The plan of Nov. 8 provided that bondholders would receive $310 cash plus a package of stocks valued at $690, making a total of $1,000 per bond. The package consisted of 5 shares of California Oregon Power, 2 shares of Mountain States Power, 3 shares of Pacific Gas & Electric, 12 shares of Oklahoma Gas & Electric and 18 shares of Wisconsin Public Service. Only two of these—Paciifc Gas and Mountain States, had markets, but the prevailing prices were "marked down" one point and two points to 32 and 21, respectively. Values were assigned to the three remaining stocks, following a discussion of post-war earnings possibilities. Following are some of the pertient figures, with price-earnings ratios added:

	Assumed Value	Share Earnings		Price-Earnings Ratios	
		Recent	Est. Future	Recent	Future
California Oregon	24	$2.30	$2.23	10.4	10.8
Oklahoma G. & E.	21	1.86	2.14	11.3	9.9
Wisconsin P. S.	10	.77	1.17	13.0	8.6

It would appear that a ratio of ten times earnings was the general yardstick, with allowance for estimated future "normal" earning power when exemption may be obtained from the excess profits taxes.

By distributing stocks to bondholders instead of selling them to the public, it was unnecessary to allow for banking commissions. On the other hand, it is a possibility that the educational sales work which might have resulted from public distributions might more than have offset (in market results) such banking commissions. It will be interesting to note whether over-the-counter markets in the new securities (which seem likely to be initiated upon the confirmation of the SEC decision by the U. S. District Court at Wilmington) agree with the estimates presented in the SEC decision. To some extent, these estimated values followed the lines of testimony by experts such as William Duff, Harbert P. McCabe and others.

Due to a flexible feature of the plan, the amount of cash given to bondholders was finally cut from $310 to $304.95, since it was estimated that the value of the package of stocks assigned bondholders had increased $5.05 (according to a market index) during the interim period of nearly three months.

Apparently bondholders were satisfied by the eventual terms of the plan (their representatives had been critical of some of the earlier proposals). The treatment accorded stockholders — 10½ shares of new common to the $7 prior preference, 9 shares to the $6 prior preference, and ⅓ share to the $4 preferred (the common not being recognized) remained unchanged in the several modifications of the August 28th plan.

Based on the present price of the $7 prior preference stock, the new common would have an indicated "when issued" price of about 6¾. The SEC states that "a liberal estimate of the future earnings applicable to the new Standard Gas common on a consolidated basis" is $1.12 a share. Hence, the new stock would be selling at about six times these future earnings. However, a considerable time may elapse before the plan finally becomes effective under court decisions, the temporary bank loan is retired through sale of Louisville Gas & Electric (now being negotiated), and the estimated earnings become available as a basis for dividend payments.

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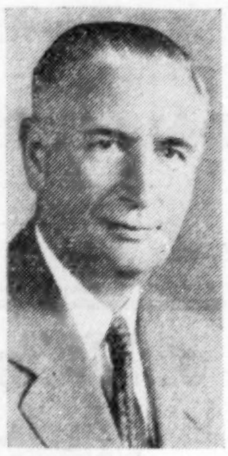
Brown Bros. Harriman Announce New Partners

Harold D. Pennington, Thomas McCance and Stephen Y. Hord will become general partners in the private banking firm of Brown Brothers Harriman & Co. on Jan. 1, 1945, according to an announcement by the firm from its main office at 59 Wall St., New York City.


H. D. Pennington

Thomas McCance

Stephen Y. Hord

The oldest and largest private banking partnership in the United States, Brown Brothers Harriman & Co. celebrated the 125th anniversary of its founding in October of last year. Total assets of the bank are $175,000,000. Members of the firm include the Honorable William Averell Harriman (Ambassador to Russia), E. Roland Harriman, Thatcher M. Brown, Prescott S. Bush, Ray Morris and Knight Woolley. The Honorable Robert A. Lovett was a partner before going to Washington in December, 1940 to become Assistant Secretary of War for Air.

Mr. Pennington left the American Exchange National Bank in 1927 to join Harriman Brothers & Co. When that firm merged with Brown Brothers & Co. on Jan. 1, 1931, Mr. Pennington became general manager of Brown Brothers Harriman & Co. He is a director of The Valspar Corporation.

Mr. McCance has been associated with the firm since 1929 and in recent years has been the manager in general charge of the investment side of the firm's business. He is a member of The Bond Club of New York.

Mr. Hord has been for several years the resident manager in charge of the firm's office in Chicago.

Brown Brothers Harriman & Co., in addition to its commercial banking business, also conducts an extensive investment counsel department. The firm is a member of the New York Stock Exchange, the New York Curb, and local exchanges in Boston, Philadelphia, and Chicago, in all of which cities offices are maintained.

The business of this firm, which was established in 1818, has been conducted as a partnership at the same address, 59 Wall Street, since 1833. The fourth and fifth generations of the founding partners are presently members of the firm, namely, Thatcher M. Brown and Moreau Delano Brown.

Canadian Manufacturing Down Slightly Says S. M. Wedd of Canadian Bank of Commerce

Manufacturing declined slightly last month, the index of industrial activity falling from 224 at mid-September to 223 at mid-October (1937=100), while the percentage of factory capacity utilized fell from 125 to 124.

The total volume of manufacturing in the third quarter of the year was about equal to that in the second quarter and slightly higher than in the third quarter of 1943, although there was a net loss in the number of workers employed. A higher standard of efficiency compared with a year ago and, in some cases, more overtime would account for the difference. The general picture, however, is mixed. The cancellation of some war contracts and the change-over from one type of production to another, temporarily reducing output, have been accompanied in other instances by new contracts, a number of these relating to post-war planning.

The production of war material on the whole has remained on a high level. The most accessible statistics of volume, namely those of the primary iron and steel industry, illustrate this. The production of both pig iron and steel in the third quarter of the current year was less than 1% below the like quarter of 1943. Compared with the second quarter of 1944 the decline was 2% for pig iron and 9% for steel.

Sidney C. Nelson With Stone Webster Blodget

CHICAGO, ILL.—Sidney C. Nelson has become associated with Stone & Webster and Blodget, Incorporated, 33 South Clark St. Mr. Nelson was formerly Vice-President of Central Republic Company, with which he had been associated for many years.

Attractive Situation

American Gas & Power Co. offers attractive possibilities, according to a memorandum issued by Cohu & Torrey, 1 Wall St., New York City, members of the New York Stock Exchange. Copies of this interesting memorandum may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

Minor market recovery paced by rail averages going to new highs carries bullish sentiment with it. Market, however, still in danger.

By WALTER WHYTE

Despite the very obvious fact that stocks have gone up about a point or two in the past week, the market as a whole has yet to show sufficient significant signs to be considered of importance.

* * *

The rails were perhaps the best performers in the last few days. Last week, for example, they managed to get through their old resistance levels to a new high. True, this establishment of a new figure didn't mean much to the holder of individual stocks. But the fact that such a high was made helped improve market opinion enormously.

* * *

Right now, for example, the preponderance of public opinion is overwhelmingly bullish. The establishment of a new high by one average is being cited as sufficient proof that the Dow theory has once again signalled the continuation of the major up-trend. But, even without this confirmation by the rails, the market has not indicated in the past few months that the major trend was anything but bullish.

* * *

But a bull market or a bear market in itself is not important to the professional trader. Time and again a basically good market will go through a severe reaction which can shake you out of most, if not all, your cash. Conversely, there is money to be made in bear markets, on the long side, too, if you can get in while the market is going through its adjustment period. For neither up or down markets keep their directions constant.

* * *

But if the rail push-through has helped to improve public opinion, it has not brought in

(Continued on page 2375)

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Predicts Synthetic Rubber at 10.7 Cts.

Dr. Semon of B. F. Goodrich Company Holds It May Compete With Natural Product

A prediction that synthetic rubber can be produced "on a peacetime basis" at 10.7 cents per pound—against the prewar market price of 22 cents for natural rubber — was made by Dr. Waldo Semon, director of pioneering research of the B. F. Goodrich Co. before the National Industrial Chemical Conference in Chicago on Nov. 16.

Dr. Waldo Semon

Dr. Semon, who created "Ameripol," the first synthetic rubber used commercially in auto tires in this country, made it clear that the 10.7 cents figure applied to the "most efficient plants" only, since the average cost for the GR-S produced thus far is 34 cents. The anticipated after-war cost estimate represents "out-of-pocket" cash only, without allowing for amortization and profit. He also tempered his quotation of the low figure with a reminder that most of the world's plantation rubber, in the 1935-38 period, could have been delivered in this country at 12.2 cents a pound, "at present our lowest out-of-pocket cost for synthetic rubber."

For security purposes and regardless of economic factors, there should be a minimum annual production after the war of 200,000 tons of synthetic rubber, Dr. Semon said. Beyond that minimum, he said, it "must justify itself on both a quality and cost basis," and he foresaw the synthetic rubber industry in this country following a pattern similar to that of the synthetic dye industry, which has gone far beyond the possibilities ever offered by natural dyes.

Admitting that GR-S "may not be the best synthetic rubber which could be made for every purpose," the B. F. Goodrich researcher said that in the future there might be one type of synthetic specifically tailor-made for inner tubes, another for coating the cords in tire carcasses, another for sidewalls and still another for the treads.

The speaker stated unequivocally that "GR-S is better than the best German synthetic, Buna S; easier to mix and handle, easier to build into finished products, and those products give better performance in service." He cited the fact that Germany was "never able to use more than about 50% Buna in tires, whereas the 'S-3' tires on our cars today contain less than 1% natural rubber."

The future role to be played by German scientists and engineers "who will be the greatest assets that country has left after the war," was described by Dr. Semon as a question that must be handled carefully. He warned against the possibility of their being "driven underground, to plot sabotage, deviltry and revenge," and said that those who are again willing "should be given a chance to work, this time not for Nazi Germany, but for the commonwealth of the world."

Railroad Securities

The prior preferred and regular preferred stocks of Alleghany Corporation have been attracting considerable speculative buying interest in the past week or so. There has apparently been some feeling that the time may be approaching for some step towards eliminating the accrued dividends on the prior preferred, and this possibility has been augmented by general strength in that section of the market representing the bulk of the company's investments. Regardless of the possibility of action to reduce or eliminate the dividends on the senior preferred, recent buyers have been pointing to the substantial discount from liquidating value at which the two classes of preferred have been selling, and the prospect for further appreciation of the railroad securities held by the company.

The company earlier this year sold a substantial block of its holding in Chesapeake & Ohio, utilizing the proceeds in part for the redemption of debt and in part to broaden its investment portfolio through purchase of a diversified list of reorganization railroad bonds. Nevertheless, its largest single investment is still represented by the remaining 1,140,574 shares of C. & O. common which had a recent market value of over $54,000,000. In comparison, the defaulted bonds in the portfolio as of the end of last week had an aggregate market value of only slightly over $11,000,000. The most important commitment in this group was in the Missouri Pacific system with a market value of close to $5,000,000. Other large commitments included somewhat over $2,000,000 market value in St. Paul and approximately $1,750,000 in Frisco. Other situations represented, running from nominal commitments to around $650,000 market value, included Denver & Rio Grande Western, New Haven, Seaboard, Rock Island, Florida East Coast, and Cotton Belt. Obviously, then, the company is well situated to participate importantly in any further speculative strength in reorganization rail securities as well as possible investment strength in Chesapeake & Ohio.

In addition to its holdings of rail securities, based on the June 30 statement, the company owns $4,900,000 face value of Government bonds, class B preference stock and common stock of Pittston Company with a market value of more than $5,000,000, and the Terminal Shares notes. This last-named commitment was carried in the June 30 balance sheet at a written-down value of $4,223,270 compared with cost of $13,000,000. Taking the Terminal Shares notes at the written-down value, the Government bonds at face value, and the remaining securities in the portfolio at recent market prices, the aggregate value of Alleghany's holdings was $80,177,695. The debt of the company consists of the $30,000,000 Convertible 3¼s, 1952, and a bank loan of $9,000,000. Allowing for these debts the book value of the company's stocks, based purely on securities in the portfolio, would be $41,177,695. There are outstanding 111,205 shares of the prior preferred stock. The stock is entitled to $50 a share in liquidation and to annual cumulative dividends of $2.50 a share. The accumulations will amount to $25.625 a share by the end of 1944, barring some interim payment, making the total claim $75.625 a share, or $8,409,878 for the entire outstanding issue. Allowing for this stock there would be a total of $32,767,817 of security values available for the preferred stock.

The preferred stock ($100 par and entitled to 5½% cumulative dividends) is outstanding in the amount of 667,539 shares. The liquidating value of this stock, based on recent markets, is slightly in excess of $49 a share, or more than 60% above the price at which the stock has been trading. Moreover, this is without taking into consideration the company's treasury cash which should be equivalent to at least another $2.00 a share by the end of the year after allowing for accrued taxes, expenses, etc. The leverage in the stock is apparent from the fact that each point rise in Chesapeake & Ohio stock is equivalent to more than $1.70 a share on Alleghany preferred and each 10% rise in the average for defaulted bond holdings would be equivalent to close to $1.70 a share.

The Alleghany Corp. bonds are convertible into Chesapeake & Ohio stock at $50 a share. This is not a factor at the present time but could presumably cut the leverage factor of Alleghany preferred in the future if Chesapeake & Ohio stock goes to any substantial premium over 50. In the meantime the bond indenture provides for a very liberal retirement fund from earnings on the pledged stock in excess of interest requirements, and this will tend consistently and substantially to further improve the status of the stocks.

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STANY Annual Meeting For December First

The Security Traders Association of New York, Inc., will hold its annual meeting at the New York Produce Exchange Luncheon Club on Friday, December 1. The business meeting starts at 5 p.m. and this year will be streamlined as much as possible to permit more time for the social part of the meeting.

In previous years many members have left immediately following the business meeting or after the buffet supper. This year all are urged to have a real social get-together that will last all evening.

The arrangements committee under Michael J. Heaney have planned professional entertainment, a buffet supper, free beer, and eight turkeys as door prizes.

Mr. Heaney, it is also announced, has been elected to fill out the unexpired term of Herbert Allen, who resigned from the Board of Directors.

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McCook Trading Mgr. For Buckley in N. Y.

Buckley Brothers, members of the New York Stock Exchange, announce today that Robert McCook, for the last 10 years in the firm's Philadelphia office, has been transferred to the New York office, 63 Wall Street, where he will be in charge of the trading department.

Reginald Sturgis Is With Paine, Webber

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other leading exchanges, announce that Reginald H. Sturgis is now associated with the stock department of their new office at 745 Fifth Avenue, New York City. Mr. Sturgis was formerly with Arthur Thompson & Co. and Goldman, Sacks & Co.

Parker Corporation Twentieth Anniversary

BOSTON, MASS.—The Parker Corporation, 1 Court Street, general distributors of shares of Incorporated Investors, is this year celebrating its 20th anniversary.

The Business Man's Bookshelf

Along the Line by Nick Plate—Indiana—The second of a series of four booklets issued by The Industrial Development Department, Nickel Plate Road, Cleveland 1, Ohio—paper.

Electronic Industry, The, Volume VI of "An Engineering Interpretation of the Economic and Financial Aspects of American Industry—George S. Armstrong & Co., Inc., 52 Wall Street, New York 5, N. Y.—paper.

"A Steak" in Life

MINNEAPOLIS, MINN.—Alfred N. Plumley, who is with the Minneapolis office of Harris, Upham & Co., members of the New York Stock Exchange, celebrated his fourteenth wedding anniversary on Monday with his charming wife and many friends at that famous chop house known as "Freddie's." After the luscious tenderloin steak and trimmings were consumed, Al said to his friends, "that was swell," while his wife remarked that it was fun getting out of the kitchen and eating such a luscious steak and particularly with "no red points" needed. "My book," she said, "is devoid of points so steaks are rare and give an added zip to celebrations of this sort—in other words, 'stake your dollars on steak'."

Airlines Operations

Kitchen & Co., 135 South La Salle Street, Chicago, Ill., are distributing a tabulation of airlines operations for the first eight months of 1944 compared with the same period of 1943. Copies of this interesting and informative table may be had from Kitchen & Co. upon request.

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Post-War Real Estate Values

By H. R. AMOTT, President

Amott, Baker & Company, Inc.

Mr. Amott Bases a Forecast of Continued Rise in Real Estate Securities Values on the Estimated Urban Home and Apartment House Construction of 1,250,000 Units Annually for a Decade, the Cost of Which Will Be Supplied Largely by Private Capital. Foresees Another Inevitable Post-War Real Estate Boom and a Revival of Public Interest in New Mortgage Underwritings, With a Rise of From 50% to 100% From Present Levels.

H. R. Amott

In my opinion, one of the most encouraging signs today for the holder of real estate securities is the widely growing belief that the intrinsic value of real estate must and will continue to increase after the war. Although real estate values—and I am not in this instance restricting my thoughts to income producing properties only—as well as the prices of real estate securities have made some very notable gains during the past few years, it is significant that until recently general opinion of such values was in a large measure guided by a "how long will the war last" philosophy on the assumption, no doubt, that "for the duration" it would be safe to anticipate a high rate of employment, some inflation in our general price structure and a general housing and commercial space shortage.

The above philosophy was a good one to start with and as may be seen from experience the truth of such early thinking has been borne out in fact. As this article is being written a survey of the country's more important urban centers would reveal one of the smallest percentages of vacant commercial and residential space in several decades. Real estate activity recently reached what has been termed a new recovery high and present indications point to a continuation of a high rate of real estate activity for at least the duration of the war. Real estate bond prices, based upon our own Amott-Baker Realty Bond Price Averages (an index covering 200 of the leading Eastern issues), reflect an uninterrupted rise for 28 consecutive months through October, 1944. The average price per $1,000 bond in this index has advanced from $307 on June 30, 1942, to $496 on Oct. 31, 1944, an increase of 61.5%.

Because of the long tenure of this present war and because of the shortages of labor and material available for the production of normal peacetime goods, including homes, etc., there has developed an unprecedented housing shortage. It has been estimated that as a result of this shortage the nation's families will be able to absorb new urban home and apartment construction at the rate of about 1,250,000 units annually for some ten years after the war. That is a colossal figure when considered in relation to pre-war building statistics and in relation to the boom which followed some four to five years after World War I. What is equally encouraging about the estimates of new post-war construction is the predominating thought that private financing is expected to supply most of the capital for such a building program. Federal expenditures will, I believe, for the most part be confined to public housing projects which are being planned under slum clearance programs and for the construction of additional public buildings.

Other factors, to mention only a few, which appear quite strongly to indicate that real estate value will continue on the uptrend are:

1—Increasing pressure on apartment building, apartment hotel and hotel rentals for higher rates where OPA controls prevail.

2—Increased costs of construction and the expectation that such costs will be as high, if not higher after the war.

3—Increased mortgage activity despite the almost complete cessation of new building.

4—The continued piling up of individual savings and the increase of cash and government securities held by our various banks and other lending institutions.

5—The sharp increase in the amount of money in circulation which even now is exerting heavy pressure on all markets for consumer's goods.

It is apparent from my foregoing remarks, that in my opinion, another real estate boom is inevitable after the war. Moreover, while building costs have advanced rapidly during the war I think it quite probable that they will continue to advance for some time in the post-war period. And if rent control is removed when the war is over, and I think it reasonable to expect that such control will at least be eased after the war, rents and realty values will rise and such increases will in turn create favorable inducements for a large volume of new building. The effect of such a boom upon existing properties and the outstanding debt obligations of existing properties would be to raise such values to a level equal to the same relationship which the cost of new building will bear to the productive value of such new construction. In my opinion, that means that we can anticipate another period during which the public's confidence in real estate will be fully restored to a point which will create a revival of public buying interest in new mortgage underwritings as well as the refinancing of existing mortgages. That means too that the prices of real estate bonds which today on the average are not more than about 50% of par will have increased by from 50% to 100% from present levels.

Banks Adopting Proxy Statements

By LUIGI CRISCUOLO

Writer Notes That Several New York Banks Now Issue With Their Proxy Statement, the State of the Proposed Directors, Together With Their Affiliations. Says This Is a Progressive Step and Urges Banks Also Submit to Their Stockholders More Informative Annual Reports. Sees in It a Means of Popularizing Bank Stocks Among Investors.

Luigi Criscuolo

Some of the larger banks in New York City are adopting the same procedure as corporations are following with respect to notices of annual meetings as required of corporations by the SEC. Such notices now include a "Proxy Statement" when they are sent to stockholders each year. As most investors know, up to a few years ago, corporations whose securities were listed on the major exchanges or were held by the general public, used to send stockholders each year a copy of their report for the previous year. There was included a notice of the annual meeting and and proxy, the latter to be signed by stockholders who wished to vote for the slate of directors which would be presented at the annual meeting. The proxy gave the management of the corporation the broadest powers in voting for the slate which had been made up by a nominating committee in the Board of Directors. That policy, of course, usually resulted in the self-perpetuation of the management without the mass of stockholders having any voice in the matter at all.

This procedure was changed several years ago by the SEC requirement that corporations should also mail stockholders a "proxy statement" on which there was considerable detailed information regarding the officers and directors, their business affiliations, salaries paid to them by the company, amount of stock of the company held by each of them, etc.

For a while, there was some objection to the rule on the theory that in war time the personnel of corporations had been reduced to such an extent that supplying of additional information was a hardship on the officers of the company. However, it was soon realized by managements that the supplying of additional information of the sort to stockholders had the effect of giving stockholders and the public certain information regarding the management which was beneficial to the company. Such statements improved public relations as they told the public of the business affiliations of the directors and gave an indication of their ability to act as directors, especially as many directors were taken from different lines of business.

On the other hand, commercial banks had for years followed the policy of simply sending a notice of meeting with a proxy that gave the proxy committee full power to vote for the directorate slate, also accompanied by the usual annual report. In recent years, some banks did not send the annual report with the notice of meeting but presented the report at the annual meeting of stockholders, while the President would read the report to the audience. Last year one bank president stated that it was not possible to send the annual report to stockholders by mail because of curtailed manpower. In another case, last year, the annual report was still in typewritten form when read by the President of the particular bank, and had to be mailed to stockholders after the annual meeting.

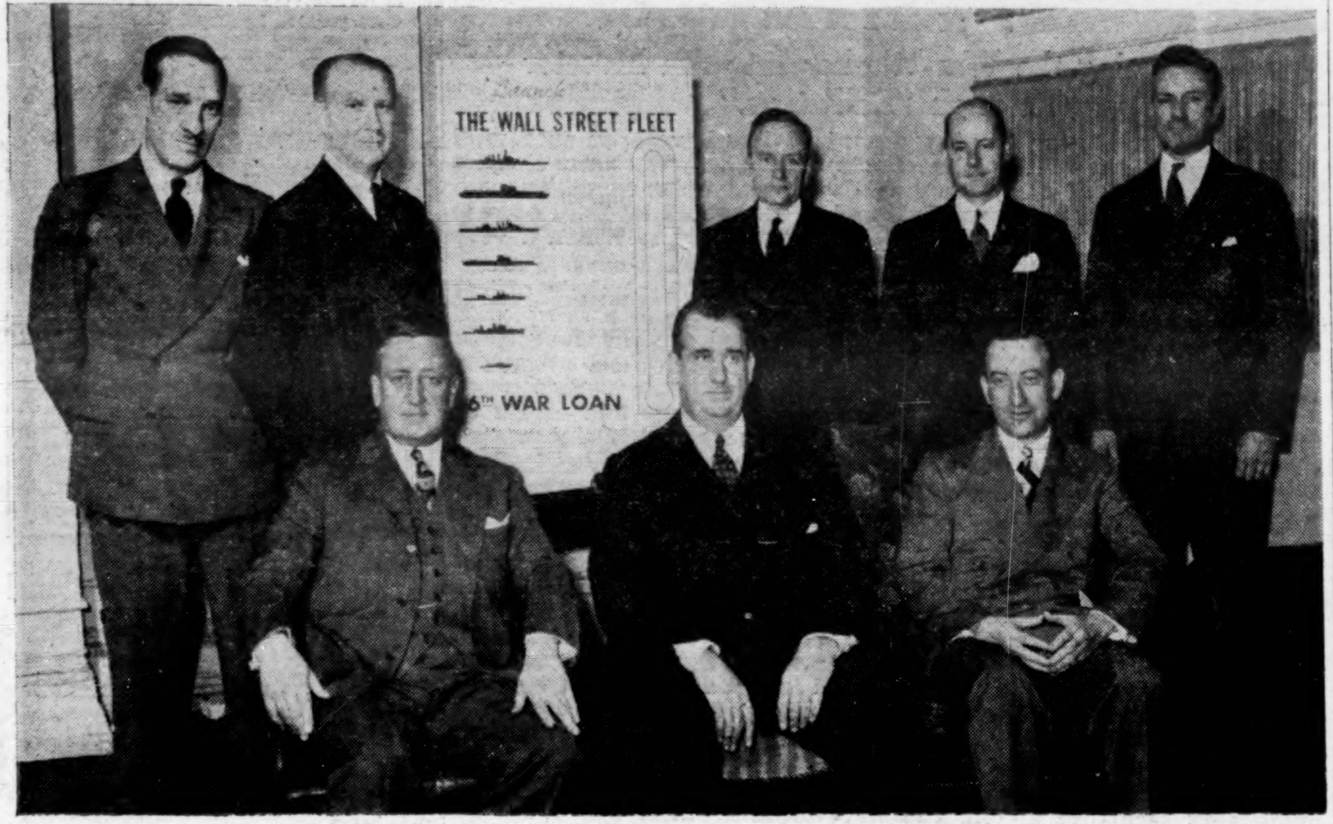
Recognizing that the policy followed by these banks in not presenting a slate for the directorate to the stockholders along with the proxy and annual report was not progressive, this writer took up the question three years ago with Mr. Harvey Gibson, Chairman of the Manufacturers Trust Co. After a conference with Mr. Henry C. Von Elm, President, and myself, Mr. Gibson indicated that he thought that the move was constructive. In fact, in 1943 the usual notice of meeting of that bank was accompanied by a list of directors on which was shown the principal business affiliation of each candidate.

Having received so much encouragement from the action of the Manufacturers Trust Co., I made the same suggestion at stockholders meetings of other banks in which I was a stockholder. In some cases the executives were a little bit cautious owing to the conservative attitude which most banks have taken towards publicity. I spoke at several annual meetings on the subject and am glad to say now that I have been informed that two other large New York City banks have adopted or will adopt that policy in connection with proxy statements. The Bank of the Manhattan Co., of which Mr. J. Stewart Baker is Chairman, has already sent out its proxy statement to stockholders for a meeting on Dec. 5, and that shows a list of the directors to be voted for. At a conference which was held recently at the offices of the Irving Trust Co., at which there were present Mr. Harry E. Ward, Chairman, Mr. William N. Enstrom, President, and Stephen G. Kent, Secretary, as well as myself, the same question was again discussed. Chairman Ward said that in view of the suggestion I made at their last annual meeting, the bank had decided to issue a proxy statement as they thought the idea was constructive.

Holders of bank stocks should realize that this is a progressive move and it is hoped that it will be followed by similar action on the part of other banks. The next step should be a policy on the part of banks generally to make their annual reports as complete and as informative as the reports issued by some of the larger New York City banks. Those reports not only include a statement of condition as of a given date, but a comparative income account which shows the result of operations right down to the amount earned per share of stock.

During the past few years there has been a greater interest in bank stocks due to the fact that several investment houses have sold large blocks of such stocks to their customers. If banks would adopt generally such a policy, and even make a comparison of figures with results of the previous year, they would find that their stocks would be more popular with the general investing public than they are at present.

Dealers and Brokers Committee for Sixth War Loan Drive in New York



The Dealers' and Brokers' Committee for the Sixth War Loan Drive in New York formally opened a campaign to launch a Wall Street Fleet in the Sixth War Loan drive at a rally on the Sub-Treasury steps Nov. 22. . . . Richard M. Newell of the Syndicate Department of Dillon, Read & Co. is Chairman. The $600,000,000 40-ship fleet represents the participation of investment bankers, securities dealers and brokers.

Front row, left to right: Robert E. Broome, director, Banking & Investment Division, War Finance Committee; Richard M. Newell, Dillon, Read & Company; John A. Coleman, Chairman, Board of Governors, New York Stock Exchange.

Back row, left to right: Wickliffe Shreve, Lehman Brothers; Frank M. Stanton, The First Boston Corporation, W. Manning Barr, Barr Brothers & Company; Walter W. Wilson, Morgan Stanley & Co.; Richard de La Chapelle, Shields & Company.

Britain's Post-War Trade Policy

(Continued from page 2347)

is now being discussed in Washington. Great Britain would export commodities which she received in Lend-Lease and would thus liquidate a part of her debts; that is to say, she would increase her Lend-Lease debt which is considered less pressing than the foreign holdings of sterling outside of the United States. The result of these negotiations, if any, is not known. In any case such a procedure would take care of only a part of the British debt."

"It has also been proposed," he added, "that the British sell Latin American investments which amount to some four billion dollars—nominal value—and use the proceeds to pay Latin American debts. But 42% of these investments received no return in 1943 and the average return was only 2.4%. Great Britain thus could sell only at a great loss at the very moment when there is hope of a real improvement in conditions in Latin American countries.

"The Latin American countries also would not welcome such a transaction. Who would be the buyers? Americans might step in and this might create a political problem. Or the Latin American countries might repatriate these investments, but then they would have to increase the rates of railways and public utilities which are now being held down. Furthermore they would have to give up their sterling balances which they hope to use for new investments.

"It would therefore seem wise to offer a solution that would enable holders of blocked sterling to recover their claims slowly. The usual way would be to use the blocked balances through the purchase of British goods and services, but one billion dollars suffices to pay the whole of Latin America's imports from Great Britain for several years. Great Britain would have no funds to buy material from Latin America which she needs and which Latin America wants to sell.

"Another device would be to use the blocked sterling to buy capital goods, thus satisfying the pent-up demand of the Latin American countries for such goods. The balances could be used to the extent to which imports from Great Britain would be greater than the average of pre-war years. But it is a question whether Latin American countries would be willing to accept such an arrangement. Great Britain would have to face a gap in the balance of payment after the war which she can close only by increasing exports over imports.

"In January and February, 1944, the London 'Economist' published eight articles on 'The Principles of Trade.' They reject the idea that the world market should be parceled out by international cartels, but in all other respects the 'Economist's' proposals are similar to those of the Federation of British Industries. The United Kingdom and the colonial empire would be founder members of a regional group. Australia, New Zealand, South Africa, India, Holland, Belgium, Denmark, Norway and possibly France and Portugal are expected to become members. Canada and Newfoundland would remain outside. The members would offer concessions to one another in regard to tariff rates or exchange regulations or quotas, and these concessions would not, through the most-favored-nation clause, be extended to include all other countries. The members would have to maintain exchange control and import licensing, but sterling, and currencies linked to it, could be used anywhere within the area of the group. Imports from non-members would be limited by the available amount of foreign exchange thus imports from the United States would depend on the dollar balances of the group members.

"These schemes have neither been approved nor disapproved by the British Government, but they come from sources that have great influence, and therefore serious attention must be paid to them."

"If such a sterling region should be established," Dr. Schueller concluded, "imports from Latin American countries would require import licenses and the Latin American countries could not export to the sterling group more than they import. Some Latin American countries, i.e., Chile and Argentina, would probably be compelled to maintain exchange control and to allot greater quotas to the sterling countries and smaller quotas to other countries. Such a procedure, while it would not violate existing trade agreements which stipulate that the United States will not invoke the most favored nation clause in respect to Argentine exchange or quota treatment of imports from the sterling area, would restrict trade both of Latin American countries and prevent Great Britain from expanding her trade.

"Great Britain can promote her trade balance, her exports and her employment by abolishing the clumsy, bureaucratic and arbitrary controls and licenses as quickly as possible, and by combining universal and regional methods of freer trade policy, in line with the principle of cooperation of the United Nations, with measures that would expand international trade rather than restricting it."

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number sixty-three of a series.*
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One Candle

This perpendicular towerlet of type—this column—is one year old this week. Were it not for the fact that so many kind readers—thousands of them, to state it accurately—have apparently found something in it that is useful, we might be inclined to ask ourselves the question, "Well, what of it?" or—"So what?"

But we're quite happy about the whole thing. You know, really, this is a friendly business we're in. It's a business, we think, that contributes to gracious living, and, particularly, in times of stress and strife, to relaxation. Oh, yes, to be sure, it undoubtedly has its abuses—and its abusers, too. But most of us will agree that many of the good things in life are both judiciously used and injudiciously abused. Hasn't it always been so?

Well, anyway thank you—you many friends who have encouraged us to continue this little series. We're starting on our second year. Stay with us, won't you? Continue to tell us when you like our efforts and help us, too, with your constructive criticism.

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Sees Gold Restored To Former Role

Edmund G. Barbey, Vice Chairman of the Swiss delegation to the International Business Conference, held at Rye, N. Y., Nov. 10 to 20 in addressing the section on currency relations among nations, expressed the belief that, despite the fact that the gold standard system may in the future be less rigidly enforced than formerly was the rule, "as soon as a country finds itself on a solid commercial and financial basis, gold comes immediately back to its proper role, which is to level international balances."

"As one of the representatives of Switzerland," Mr. Barbey stated, "I wish to stress the fact that our country is very much interested in the problem of currency relations among nations."

"If all countries agree upon the necessity of stabilizing the currencies," he added, "Switzerland is among the nations, for which this very problem is of vital importance, owing to the fact that foreign trade is essential to our existence.

"Before the war, the total amount of our yearly imports and exports was equivalent to $170 per inhabitant as against $50 in the case of the United States. Consequently, Switzerland is deeply interested in any solution that can be found concerning the monetary problems.

"Our country, being neutral, had no delegate at the Bretton Woods Conference. Nevertheless our official and private financial circles have followed very closely the discussions and the work that has taken place at the conference and you may be certain that we shall be anxious to cooperate as soon as the time will come to re-establish normal monetary relations between nations. The solutions arrived at in Bretton Woods are very extensive, since they apply to a great number of nations and may still go further.

"Another solution, which has been outlined at our precedent meetings by Mr. Aldrich is also of great interest. What has been designated as 'the Key Nations approach,' the preliminary stabilization of the two key currencies and the fixing of the rate of exchange between the dollar and the pound sterling would pave the way for the future stabilization of the other currencies of the world. In that plan, I can see also an interesting approach to a solution which we are all anxious to reach. In any case, we are of the opinion that, should a general scheme not prove feasible owing to its very extensive scope, it would be advisable to work out the very interesting although partial solution we discussed yesterday. Each step toward a future general currency stabilization is of the utmost importance to our country."

"But," continued Mr. Barbey, "no stabilization is possible without some sort of a basis. In that regard, experience has proved, more particularly since 1930, that gold, although not perfect, remains, nevertheless, the best foundation devised so far. Throughout the world's history it has been proved that, whatever may be the fluctuations of the world economy, panics and depressions, gold has always maintained its prestige and its value. The other tentative systems that have been tried in the last resort, such as clearing and barter, have simply led to a further restriction of international exchange of goods, and to the narrowing of the channels of trade. Bilateral agreements have taken the place of free exchange of goods. The final result has been autarchy and managed economy.

"It is often said that the gold standard has failed in its essential office, which is to insure economic stability, but a close study of the period between the two wars will show that the gold system only failed to fulfill its office because it was ill-used and mishandled. It was the commercial policy that was adopted after the first world war which gradually upset the whole balance of payments. The wide markets of the rich nations were restricting the export of goods from poorer countries. This impeded payment of debts and accumulated fresh debts. Foreign loans could only give temporary relief and gradually the greater part of the gold of the world was inevitably attracted to the richest nation of the world, which already had too much. The gold was thus made to assume the role of a unique instrument of payment, whereas its proper function is to iron out small differences in the balance of payment. The world acted for 20 years like a man who disregards all his doctor's advice and then blames the doctor when he is sick.

"Our present problem is to find out how best to employ gold. In this case as in many others it seems that the answer to that question should be found not in new formulas but in a return to old practices which have proved their work in the past; redistribution of gold through an increase of imports in those countries which hold large stocks of metal, such as the United States and a few other countries. This process is already underway to a certain extent as a result of large purchases of raw materials made since the war by the United States, notably in South America. Another means to the same end can be found in foreign loans, although this system must be accepted to the limited extent of a temporary relief, afforded to impoverished countries. It can only result in lasting improvement if this help enables those countries to get back on a paying basis allowing them to discharge their foreign obligations."

"It must be admitted," concludes Mr. Barbey, "that the gold standard system may be less rigidly enforced than was formerly the rule. For example, the convertibility of paper currency and the ratio of gold covering need no longer be considered as factors of decisive importance, as it has been proved that these technical questions matter less than the maintenance of a sound economic position. As soon as a country finds itself on a solid commercial and financial basis, gold comes immediately back to its proper role, which is to level international balances. How this new utilization of gold can best be worked out under present conditions offers a wide field for interesting discussion."

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Within the past two weeks the directors of two important commercial banking institutions have proposed capital increases through the distribution of stock dividends. On Nov. 15, the Harris Trust & Savings Bank of Chicago announced a proposed 33⅓% stock dividend, and on Nov. 21, Bankers Trust of New York announced a proposed 20% stock dividend.

In the case of Harris Trust, the proposal is subject to approval by the stockholders at a special meeting to be held on Dec. 13. If approved, it will result in capital being increased from $6,000,000 to $8,000,000 and the number of shares outstanding from 60,000 to 80,000. The increase will be brought about by the transfer of $2,000,000 from undivided profits to capital. In 1943 the net earnings of this bank were $25.42 per share on the 60,000 shares, against an annual dividend rate of $12.00. On the basis of the proposed 80,000 shares, these earnings would be $19.06 per share, representing a dividend coverage of approximately 1.6 times. Thus, the present $12 dividend rate per share is likely to be maintained, so that in 1945 holders of the stock of this bank probably will receive cash dividends one-third greater than in 1944, or the equivalent of $16 per share on present outstanding stock.

In the case of Bankers Trust, stockholders will approve or disapprove the proposal at a special stockholders' meeting to be held on Dec. 11. Formal approval must also be obtained from the Banking Department of New York State. If the proposal is approved, capital will be increased from $25,000,000 to $30,000,000 through a transfer of $5,000,000 to capital, and the number of shares outstanding will be increased from 2,500,000 to 3,000,000. In 1943 net operating earnings were $3.80 per share on the 2,500,000 shares, against a dividend rate of $1.40. On the basis of the proposed 3,000,000 shares, these earnings would be equivalent to $3.17 per share, or approximately 2.25 times the $1.40 dividend rate. It therefore seems safe to assume that the $1.40 rate will be maintained on the increased number of shares and that holders of the stock of this bank will receive in 1945 20% larger cash dividends than in 1944, or the equivalent of $1.68 per share on present outstanding stock. This will represent a partial restoration of the dividend cut which stockholders suffered in 1942.

Whether or not other leading banks in New York City and other cities will pay stock dividends in lieu of increasing the present dividend rate, remains to be seen. Certainly there are a fair number of banks whose margin of earnings over dividends has been large enough in recent years to warrant such action.

Credit Pools: In the October 5 issue of "The Chronicle," this column referred to the formation of a $100,000,000 bank credit pool by 23 New York City commercial banks, in accordance with the recently adopted program of the Post-War Small Business Credit Commission of the American Bankers Association. Since then banks in several other cities have followed suit. For example, the Chicago Clearing House Association banks have, within the past week announced the formation of a $50,000,000 small business credit fund. Howard W. Fenton, Chairman, Chicago Clearing House Committee, is reported in the press to have stated: "The $50,000,000 for lending to small and medium-sized business concerns in the reconversion and post-war periods is to assure adequate bank credit to every competent individual, firm or corporation in this area. If additional credit is needed it will be promptly provided."

In Philadelphia, 20 banks have recently formed the Bank Credit Group of Philadelphia, with a fund of $10,000,000 "to provide a source of credit for small and medium-sized businesses in the reconversion and post-war period."

Banking groups in Dallas, New Orleans and St. Louis have each organized $25,000,000 "small business" credit pools. Other cities reporting are: Fort Worth, $20,000,000; Oklahoma City, $15,000,000, and Augusta (Me.), $1,000,000. According to "Banking" (Journal of the American Bankers Association), other cities which are making good progress in organizing this work include: Cleveland, Pittsburgh, Boston, and San Francisco. In many States, including Connecticut, Missouri, Virginia, Kansas, Washington, Maine, Montana, Maryland, Georgia and North Carolina, the campaign to "Make Loans Bankable" is being instituted through group action.

Things are stirring in the banking world, and important groups and leaders within it are forward looking enough to realize that commercial banking, in order to play its proper part in building up the national economy in post-war years, must exhibit a rebirth of enterprise and economic leadership. The market for bank stocks already senses this and is responding, as the following comparison between the Dow-Jones Industrial Average and American Banker Index of New York City bank stocks, would appear to indicate:

	Dow Jones Industrials		Am. Banker Index	
April 1944 low	135.00		38.9	
11-22-1944	146.92		44.5	
Appreciation		8.8%		14.4%
September 1944 low	142.96		41.3	
11-22-1944	146.92		44.5	
Appreciation		2.8%		7.7%

Since April, bank stocks have shown a 63.6% greater rate of gain than have industrial stocks, and since September, 175% greater rate of gain.

CAPITAL CHANGE
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THE NEW YORK
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(L. A. Gibbs, Manager Trading Department)

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Municipal Bonds
Bank Stocks
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J. S. Rippel & Co.
Established 1891
18 Clinton St., Newark 2, N. J.
MArket 3-3430
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The Securities Salesman's Corner

By JOHN DUTTON

Converting the War-Worker Into An Investor Through "Radiation."

It seems as if very few investment dealers have been successful in developing PROFITABLE accounts among war-workers. Despite the high earnings of many foremen, engineers, junior executives and highly skilled workers in war industries, this potential field of new investors does not appear to have offered security salesmen a very lucrative territory in which to work.

We have heard of a few dealers who have kept their offices open in the evenings especially to serve the "war-worker" with funds to invest, but have not heard of any real success along these lines. A limited amount of advertising directed toward attracting "first time" investors has also been used in some centers where war-workers predominate and this too has been sketchy and as far as we can determine has been unproductive of any real business.

Undoubtedly there is a large AGGREGATE INVESTMENT POTENTIAL among this group but the INDIVIDUAL INVESTMENT POTENTIAL IS SMALL. This is why we believe that this huge reservoir of idle cash has not been successfully induced to move into investment securities. After all, the most important asset of any salesman of securities is TIME. The sale of securities is a very personal operation and it requires that time must be devoted to the development of an account. Unless some short-cut such as "group selling" can be found, so that the salesman's time can be used to greater advantage than to make a small initial sale, very few salesmen with sufficient ability to open new accounts among investors who know very little about securities, would want to waste the time which is necessary in order to accomplish such an objective.

So it seems to us that there is a very large, new, market for investment securities among the war-workers but a way must be found to PRODUCE A VOLUME OF BUSINESS OUT OF A NUMBER OF SMALL ACCOUNTS. We were discussing this problem recently with a certain salesman who had considerable success in selling a partial payment investment among shop workers some years ago. It was his opinion that it might be profitable to go into some large war plant and acquire the cooperation of one or two men who had an eye on the future and would like to learn some of the fundamentals of security salesmanship while they were still working on their war job.

His approach would be to sell them a specific security and at the same time give them some of his time each week; gradually coaching them on the fundamentals of investment. In the meantime these men would tell others about the securities they had bought themselves and would only make **appointments for the salesman to call** after they had prepared the way. A small commission would be paid them on each sale that was made. This type of prospecting has been used effectively in many lines of specialty selling, and in insurance work, and it is quite possible that it might solve the problem of getting started in developing this vast field of potential investors among the nation's war-workers.

Such a campaign might be the answer — it would appear to us that anyone who tried it should start out with the simplest type of investment medium, something paying a return of around 5% or more per annum, and the patience to give the thing a fair trial for a period of several months. It would be our guess that in order to be profitable the real results would not begin to materialize until quite a few accounts had been opened and several embryo salesmen and appointment makers were consistently on the job and enthusiastic about their spare-time activity.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Robert G. Lester** has become associated with **Faroll & Co.,** 208 South La Salle Street. Mr. Lester was previously with J. S. Bache & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Charles E. Jones** has rejoined the staff of the **First Cleveland Corp.,** National City Bank Building. Mr. Jones, who has been serving with the U. S. Navy, in the past was in charge of the Columbus office of the First Cleveland Corp.

(Special to The Financial Chronicle)

HARTFORD, CONN. — **Henry Lyman** has become connected with **The First Boston Corp.,** 36 Pearl Street. Mr. Lyman was formerly with Spencer Trask & Co., and Shields & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Robert A. Buchanan** is now with **Mercier, McDowell & Dolphyn,** Buhl Bldg.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—**Russell B. Dickson** has been added to the staff of **Otis & Co.,** Terminal Tower, Cleveland, Ohio.

(Special to The Financial Chronicle)

RELEIGH, N. C.—**J. H. West** is with **George I. Griffin,** Insurance Building.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Herman A. Dugo** has become affiliated with **White & Co.,** Mississippi Valley Trust Building.

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£115,681,681
Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand
BANK OF
NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop... 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1943 ....£187,413,762
SIR ALFRED DAVIDSON, K.B.E.,
General Manager
Head Office: George Street, SYDNEY
The Bank of New South Wales is the oldest and largest bank in Australasia. With over 800 branches in all States of Australia, in New Zealand, the Pacific Islands, and London, it offers the most complete and efficient banking service to investors, traders and travellers interested in these countries.
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FULLY PAID CAPITAL . £3,000,000
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LONDON AGENCY
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Branches in all the principal Towns in
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NATIONAL BANK
of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital......£4,000,000
Paid-Up Capital.........£2,000,000
Reserve Fund............£2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Payment On Sao Paulo (Brazil) Bonds

Guaranty Trust Co. of New York, at its Coupon Paying Division, announced on Nov. 29 that it is now prepared to make payment, in U. S. dollars, of interest warrants due July 1, 1944, and prior thereto detached from its deposit certificates for State of Paula (Brazil) 25-year (non-callable) 7% Milreis Loan Bonds due Jan. 1, 1946.

Roe Back at Desk

Edward Jedd Roe, proprietor of Roe and Company, Frost National Bank Building, San Antonio, Tex., has returned to his desk after three years' service as a Colonel in the Army Air Forces.

Cooperatives in Finance

(Continued from page 2346)

having $340 million assets and over $6.5 million net earnings in 1943, plus $170 million of insurance premiums, $1,233 million appears as the present yearly volume for cooperatives in the United States. This amount does not include the estimated $175 million trading turnover through wholesale distributive services and productive federations, with net annual "savings" of $6 million. Co-ops have bought $20 million worth of mills, factories and refineries within the past two years. Consumer cooperative membership in this country now exceeds 2,500,000.

Fortified by these impressive figures, cooperators offer the slogan, "Be your own banker!" The phrase has been partly materialized through activities of 3,750,000 members of Credit Unions—which collectively are called a "people's banking system." The Credit Union National Association is building new headquarters in Madison, Wisconsin and waits but peace day to re-enter a period of growth. Credit Unions had an unbroken rise to 1941, checked since then by increased wages, control of instalment buying, dearth of high cost goods. Their membership declined 3.3% during 1943; volume shrank 16.2%, earnings 37.6%; but capital increased 6.6%, earnings rose 6.3%. State membership increased in Alabama, Georgia, Hawaii, Indiana, Kansas, Massachusetts, Michigan, North Dakota, Rhode Island, South Carolina. Loans increased in Alabama, Hawaii, Kansas, North Dakota, Rhode Island, Vermont.

Rural organizations, in certain Nebraska areas without banking facilities, have become in actuality commercial banks. The history of these banks exemplifies one way by which cooperative commercial lenders come into being. If the Farm Production Credit System and the 12 regional Banks for Cooperatives be added to the credit union figures, a yearly capital turnover exceeding $500 million is reflected for cooperative non-profit lenders, either Federally subsidized or tax-favored, or both. This total does not include figures, as yet moderate, of profit institutions, such as commercial banks operating under regular State charters but dominated by co-op organizations through stock ownership. Control of banks by co-ops is the recently budding prong of multitined antlers by which non-profit enterprises hope to toss the profit principle out of America's economy. At least two such banks are in operation. Nominally "cooperative" banks, akin to building and loan associations, are specially chartered under the laws of Massachusetts, where 181 such institutions have a $75,000,000 lendable surplus according to officials of that state's Cooperative Bank League. Governor Saltonstall is being urged to authorize the making of G.I. loans by these banks.

Taking further into account the various enterprises organized on a non-profit basis, the 1944 business volume outside of the profit system will reach an estimated $5 billion.

Cooperative agenda have six items as put forth to members and prospects: (i) Buy shares in cooperatives; (ii) Make loans to cooperatives; (iii) Join cooperative credit unions; (iv) Organize cooperative finance associations; (v) Deposit funds in cooperative banks; (vi) Insure in co-op insurance associations. As an occlusive move, savings of every cooperative member and moneys of all co-op associations are to be pooled together in various funds and institutions; cooperative shares, preferred stock, bonds and notes, credit unions, finance associations, banks and insurance companies. Private and Government banks, say planners, must be encouraged to rediscount the paper taken by the cooperative banks and finance associations. In this way, Scripturally speaking, cooperators are to "make friends of the mammon of unrighteousness" until their Cooperative System of Finance is able to take over the profit citadel.

Though co-ops do not admit that their securities are subject to SEC registration, they make a practice of registering their issues when above $100,000. The latest registered co-op flotation comprises $500,000 of 3% Preferred Stock "B" (non-cumulative shares $100 par value) and $250,000 face value 4% Subordinated Debenture Notes Series "A" of the Midland Cooperative Wholesale, Minneapolis, Minnesota. Study of the registration prospectus covering these two issues reveals the physiology of a typical "super" cooperative besides ensampling the mechanism by which such organizations are financed.

Midland Cooperative Wholesale is an association organized under the corporate laws of Minnesota, having $766,000 of common stock, all owned by other cooperative associations. None of the shares are owned by any of the officers or directors, nor may any be held by an individual. Each stockholder has but one vote, regardless of the number of shares held; except that one additional vote is permitted for each $100,000 of business in excess of $5,000 done with the corporation during the preceding fiscal year. Midland buys, sells and distributes the more than 30 commodities handled by its member-shareholders, besides manufacturing petroleum products, fly-spray, stock feeds and process-packaging greases and oils. It did a $3,760,000 business in 1939, $6,220,000 in '41, $9,000,000 in '43 and an estimated $10,000,000 this year. Gross "margins" (i.e., earnings), were respectively $543,000, $1,103,000 and (estimated) $1,248,000 for the years 1941, 1943 and 1944. Net operating "margins" were respectively $95,000, $354,000 and (estimated) $411,000. In 1943 the net "margins" after interest, adjustments and $49,200 taxes (including $24,600 income taxes) were $338,000. From this sum "patronage refunds" (dividends) amounting to $273,300 were distributed in stock and $17,500 was paid out in cash dividends (listed as "interest" on the statement) leaving $47,500, which was passed to surplus account. Balance sheet as of April 30, 1944, shows $1,901,000 current assets, $779,000 current liabilities plus a $475,000 mortgage loan due Dec. 31. Total assets are $3,350,000; the item of "members' equities" (net worth) comes to $1,448,000. Entire net proceeds from sale of the 4% Debenture Notes and Preferred Stock "B" will be applied to payment of loans at the St. Paul Bank for Cooperatives, including the mortgage above mentioned; balance of proceeds will be used for operating capital—principally the acquisition of inventory and financing of accounts receivable.

The Debenture notes, which are unsecured, will be sold at par. According to the prospectus, no commission or discounts of any kind will be paid or allowed. While the prospectus states that the debentures will be sold only to members of the issuing corporation and individual shareholders therein, the notes will be unofficially available to the investing public—but with no firm commitments nor underwriters.

The National Cooperative Finance Association was organized last year to map out and further the co-op moneyed program. Progress has been made toward a nationally articulated finance structure following "four years of education and study," to quote Perry L. Green, the Association's President. Its members to date are the wholesale associations affiliated with the Cooperative League. It contemplates (a) continuing analysis of its members' financial status and stability by a central statistical informational service, (b) wholesale loan discounting for members through central money markets, negotiation of warehouse and loan contracts against raw materials; (c) distribution of co-op bonds, preferred stocks, debentures, among patrons and co-ops against member assets; (d) handling trust funds for investors interested in the co-op movements; (e) promotion of credit unions, banks, area consumer loan associations, eventual participation with member-wholesales in ownership of such associations; (f) organization, concomitant with all the foregoing, of a central cooperative bank, grandiose intermediate goal of the program.

The Finance Association's stated objective is "to tap, for the uses of the cooperatives," those "immense reservoirs of savings that are becoming afraid of the old debt structure"—namely the present corporate and banking system, as exemplified by "large industries, finance institutions and the like." As a final phase, this "old debt structure" is to undergo "orderly liquidation."

As if in rehearsal for such a climax, cooperatives are outbidding established interests in the purchase of additional properties. A recent example was the acquisition, at $2,115,000, of the Ohio Midland Power Company by three rural electric co-ops in competition with a Chicago investor, who bid for the Midland's outstanding securities rather than its physical assets. Ohio Midland was formerly owned by an Associated Gas and Electric subsidiary. While consummation of the sale was being held up by injunction, Eureka-Maryland Assurance Company, in the co-op fold, was found to be a large Associated Gas bondholder. Through the insurance company's intervention as an owner of Associated Gas senior securities, the injunctions were dissolved and SEC directed acceptance of the rural cooperatives' higher but more cumbersome bid. Cooperatives are here seen as employing, to achieve their ends, the self-same tools and tactics as those presumably used by "private-profit" corporation management.

Transactions like these, with their invocation of interlocking security ownerships, illustrate how far the American cooperative movement has travelled from the original Rochdale store established in England by 28 weavers, exactly 100 years ago. That cooperatives have become big business smacks of truism. The little known fact is their entry into corporation securities ownership as part of their over-all strategy. In this strategy, a logical step is the acquisition by cooperatives of controlling shares in regular commercial banks—though such institutions are essentially enterprises for profit. "We are experimenting with two cooperative banks," reports General Secretary E. R. Bowen to the Cooperative League of the U. S. A. and Federated Organizations, "and learning by experience the possibilities of providing ourselves with our own deposit and checking service institutions." These relatively small banks, respectively in Ohio and Indiana, may prove excellent practice-halls wherein co-op talent can learn the banker's trade preparatory to invading monetary strongholds.

American co-op aspirations are being integrated with a worldwide plan, projected by the Cooperative League's Committee on Int'l Cooperative Reconstruction. Creation of an International Cooperative Business Association, in which the activities of at least 124,000 societies with 100,000,000 members in 39 countries are to be coordinated, is urged by Howard A. Cowden, the Committee's Chairman. He points out that "high percentage of goods going to Lend-Lease have been originated by cooperatives," listing oil, high octane gas, lumber, canned foods, dairy products, grain, cotton, wool and other goods "vital in furthering the war effort." Post-war distribution overseas, it is proposed, should be largely through cooperative channels already marked out by Mr. Cowden's committee in data submitted to United Nations Relief Administration. It is proposed that enemy plants and properties abroad should be turned over to cooperatives if their rightful individual owners be not available. As in the domestic layout, apex of the pyramid is financial—an international cooperative credit institution to assist in financing foreign trade.

Not counting recently liberated areas, nor China, where cooperatives have contributed much to the national well-being and war effort, the movement has grown in foreign neutral and Allied countries through four years of war. Headed by Great Britain with a 520,000 membership gain in 1938-42, six European countries showed an 848,000 total increase to an aggregate of 11,183,000 at the beginning of 1943. Cooperative vitality is thus clearly evidenced.

Furthering these international aims, cooperative leaders have declared open war on "both government and industrial super-government now being fashioned by the cartellists." This denunciation, in line with previously stated cooperative opposition to "big government" as well as "profit monopoly," may furnish a key to the true intent and possible results of the movement, besides making the cooperative menace less terrifying to private finance. The cooperative is essentially capitalistic and proclaims itself a form of free enterprise without government aid or subsidy.

To the taunt that cooperatives flourish chiefly by reason of tax exemption and special privileges, co-op apologists retort: "The government has subsidized private-profit business and banking and provided crutches and hypodermics of relief and war production." These apologists even twit the banks, calling them "local service stations in a system of government credit." Cooperatives insist that their tax advantage is but apparent, arising from the fact that they make no profits, and that if they did make profits they would pay tax thereon like everybody else. Their spokesmen stoutly oppose government subsidies and voice unfeigned fear of excessive Federal control. Eventually, however, cooperatives will be compelled either to renounce their conquistador designs together with the governmental favors which in one form or another they apparently enjoy or, clutching such favors and designs, be drawn into that bureaucratic collectivism which they profess to hold in avoidance. By making the former and likelier choice, they will range themselves definitely on the side of private enterprise and for minimal government control. Their increasing "use" and "let" of hired capital with its appropriate finance tools, such as bonds and preferred stock, will in time tend to make the difference between cooperative and share-capital ownership more theoretical than veridical. Just as the mutual savings banks and the old-line building and loan associations, though not conducted for profit, have through many years served as adjuncts rather than adversaries to the country's financial system, so cooperatives may yet prove a beneficent bulwark against bureaucratic encroachment. The chief danger, bankwise, is not so much from new and revolutionary competition as from absentee ownership, should control of one bank after another pass from local stockholders to large and possibly remote cooperative organizations.

This announcement appears for purposes of record. These securities were placed privately through the undersigned in September, 1944, and have not been and are not now being offered to the public.

$100,000,000

United Gas Corporation

First Mortgage and Collateral Trust Bonds
3% Series due 1962

Dillon, Read & Co.

November 29, 1944.

Mutual Funds

Presenting Two New Funds

Hugh W. Long & Co. has commenced offering of **Diversified Investment Fund** and **Diversified Speculative Shares**, two new series of **New York Stocks, Inc.** Orders at the initial price of $12.23 per share for each of the new series are being accepted now, for confirmation on Dec. 1, when the books will open.

In addition to the regular 6% dealer concession on individual subscriptions of $50,000 or less, an extra concession of 1% on sales of these two funds will be made to dealers during the two months ending Jan. 31, 1945.

Handsome new sales folders on each of these funds accompany the announcement letter. **Diversified Investment Fund** has the objective of generous income. Issues approved for initial purchase include 9 bonds, 17 preferred stocks and 18 common stocks, a total of 44 different securities. The companies represented are engaged in about 20 different kinds of businesses, resulting in broad industrial diversification as well as diversification among individual companies.

Diversified Speculative Shares, on the other hand, has the objective of capital appreciation through "logical planning for profits" Each share of Diversified Speculative Shares represents an interest in a broad list of securities, every one selected by careful research management for its profit possibilities. Forty-two issues have been selected for initial purchase, all but three of which are common stocks.

Each issue in this initial list of securities possess one or more of six basic characteristics, any one of which can serve as a basis for a rise in price. The folder describes these characteristics and indicates which of these special qualities are possessed by each individual issue selected.

Sixth War Loan

Two sponsors, **Keystone Corp.** and **Lord, Abbett**, devote their current publications to discussions of the Sixth War Loan. **Keynotes** asks, "How much is your share of the Sixth War Loan?" and points out that the goal of $14 billion is approximately one-tenth of the 1944 income of the people of the United States.

"Your share, then, is five weeks of your earning power as a minimum. And you are not even asked to give it. You are asked to invest it in the finest security in the world."

Low Priced Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED
63 WALL ST. · NEW YORK 5, N. Y.

Abstracts makes its point in the form of "A Suggestion for Santa" and lists the advantages of war bonds for Christmas over any other form of gift. The list is impressive and concludes with: "What other gift would be so deeply satisfying, both for giver and receiver, in this year when we all know we should be doing more?"

Railroad Labor Costs

Distributors Group, in the current issue of **Railroad News**, makes the forthright statement that "railroad labor costs **are** well controlled." Proof of this is given in a long-term chart showing the ratio of payrolls to gross operating revenues, and in a table containing vital railroad statistics.

The chart shows that even though railroad hourly wage rates have increased substantially in recent years, total wages paid have remained remarkably stable in relation to gross revenues—have, in fact, been tending downward in recent years. In 1943, with the highest hourly and annual wage rates in history, total wage costs were at the lowest ratio to gross for the past 20 years.

Another important point revealed by the bulletin is this: "Despite the fact that during the period from 1929 to 1943 average hourly earnings increased 38.9%, and average annual wages increased 49.4%—the ton-miles per employee nearly doubled, and ton-miles per $1 of wages increased 33.3%."

Business Booms and Depressions

A. W. Smith & Co. has mailed to affiliated dealers an up-to-date copy of an interesting chart showing "Business Booms and Depressions Since 1775." As the covering letter states, there is much thought-provoking material in the chart. The inflation-deflation trends are particularly interesting in their relation to post-war prices after each war since the American Revolution.

Don't Gamble

National Securities & Research Corp., in the current issue of **National Notes**, underlines the fact that "investors don't have to gamble to win." A simple explanation is given of why the individual investors find it hard to beat the averages.

"Far too many investors lose a considerable portion of their savings taking unnecessary risks in order to obtain income or to seek capital enhancement. Horse-racing tactics in buying securities seldom afford the opportunity for profits commensurate with the risk entailed."

New Pictorial Booklet

Vance, Sanders & Co. has issued an interesting new booklet in behalf of the funds under its sponsorship in which the early history of Boston is shown in pictures and the development of the traditional New England trustee is described briefly.

Through survival of the many catastrophes which have occurred since the robust days of profiteering, "a reliance on prudence and discretion with respect to investments has earned the Boston Trustees an enviable reputation for soundness and conservation in financial matters."

Investment Reports

Boston Fund—Total net assets on Oct. 31, 1944, amounted to $12,965,917, an increase of approximately 15% from the total of $11,275,527 on Oct. 31, last year.

Canadian Investment Fund, Ltd.—Total net assets on Sept. 30, 1944, were approximately $10,344,000. Per share net asset value on that date was virtually unchanged compared with the end of June and was within 2% of the highest level of the past four years.

Mutual Fund Literature

Calvin Bullock—Current issue of the **Bulletin**. . . . **Broad Street Investing Corp.**—Nov. 15 issue of the **Letter**. . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Hare's Ltd.**—A new folder describing distribution and investment policies followed in **Bank Group Shares**. Also recent copies of the Hare's memorandum entitled "Current Considerations."

WELLINGTON WF FUND

A MUTUAL INVESTMENT FUND
Incorporated 1928

Prospectus may be obtained through your investment dealer or from the distributor.

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Certificates of Participation in Trust Funds
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LOS ANGELES, 634 S. Spring St., (14)
BOSTON, 10 Post Office Square (9)
CHICAGO, 208 So. La Salle St (4)

OUR REPORTER'S REPORT

With the new issue market in virtual recess and destined to remain so for the next several weeks, the listed bond market has been churning up considerable activity this week with trading quite active at times, but with the unusual breadth of interest the feature.

Major interest once more centers around the secondary and defaulted railroad issues, with the latter group moving into new high ground as measured by the averages.

Renewed speculative interest in this section of the list is ascribed to the turn for the better noted in operating results of the carriers, now coming to hand, as contrasted with the situation this time a year ago, when the industry was forced to revise its earnings statements due to certain necessary adjustments.

Meanwhile dealers report steady absorption of small remaining unsold portions of the more recent new issues. A case in point is that of the Potomac Edison Co.'s new first mortgage and collateral trust 3s of 1974. Here the head of the underwriting group was able to announce early in the week that the selling group and its agreement had been terminated.

Observers find the market in technically strong position generally and there is little disposition to anticipate any broad selling for tax purposes between now and the close of the year. The market's present position, it is argued, does not afford much opportunity for taking losses for tax purposes, unless it be in the case of "shorts."

Setting the Stage

One of the biggest potential undertakings on the list for marketing, once the Treasury completes its current Sixth War Loan Drive, is that contemplated by the Pacific Gas & Electric Co.

Figured to involve new securities in the aggregate of about $89,000,000, there had been a tendency to look for the company to seek to arrange for this business on a basis of negotiation direct with its bankers.

Such a move would require exemption of the operation from the Securities and Exchange Commission's rule U-12. Thus far the company has not made any formal move in that direction.

Now it develops that a rival banking group is forming under the leadership of mid-western investment banking interests intent upon competing for the deal.

$100 Million Salted Down

Finis was written to another enormous refinancing job on Tuesday when, in keeping with previous plans, United Gas Corp. delivered to a group of fifty institutions $100,000,000 of new first mortgage and collateral trust bonds.

The placement was one of the largest on record to be made privately both from the standpoint of the amount of securities involved and the number of purchasing institutions.

The largest single purchase was $25,000,000 and the next $11,000,000 with the bonds bearing 3%, to mature in 1962, and being priced at 100.

Buying Departments Busy

As had been forecast buying departments of the various large underwriting houses are not idle even though the market is temporarily in almost total eclipse.

Preparations are going ahead to the extent possible for taking care of prospective new issues which will reach the market in the wake of the Treasury's drive or shortly after the turn of the year.

Accordingly groups are forming to seek such issues through the medium of competitive bidding and the indications are that most such deals will be the center of active bidding.

Several groups are reported girding to go after a large block of Northern Natural Gas Co. common stock, due to come on the market in the dissolution of North American Light & Power Co.

And the same is true with regard to the expected Portland General Electric Co. refinancing: the sale of Capital Transit Co.'s new bonds and a new issue of preferred stock which Wisconsin Power & Light Co. may sell to replace its outstanding 6 and 7% senior issues.

N. Y. Analysts to Hear

The New York Society of Security Analysts will hear Irving K. Hessberg, President of the Van Raalte Co. at the meeting scheduled for Nov. 30.

On Dec. 1, William White, President of the Delaware, Lackawanna & Western Railroad will be speaker. Questions referring to merger plans should be submitted in writing to Pierre R. Bretey, chairman of the railroad group, before the meeting.

On Dec. 4, Thomas J. Slattery, general traffic manager in the United States for Associated British Railways will speak on "British Railways on the Battle Front."

All meetings are held at 56 Broad Street, New York City, at 12:30 p.m.

Most Post-War Planning Ideas Product of "Wishful Thinking": General Ayres

Observing that in post-war planning "we seem to have pretty generally accepted the illusory idea that the purpose of post-war planning is to preserve wartime economic conditions after peace has returned," Brig. General Leonard P. Ayres, Vice-President of the Cleveland Trust Company, contends that "most of the post-war planning that produces these ideas represents sheer wishful thinking." Citing certain of these "illusory" ideas, Gen Ayres' views, as set forth in the Nov. 15 issue of the Cleveland Trust Co. "Business Bulletin", are as follows:

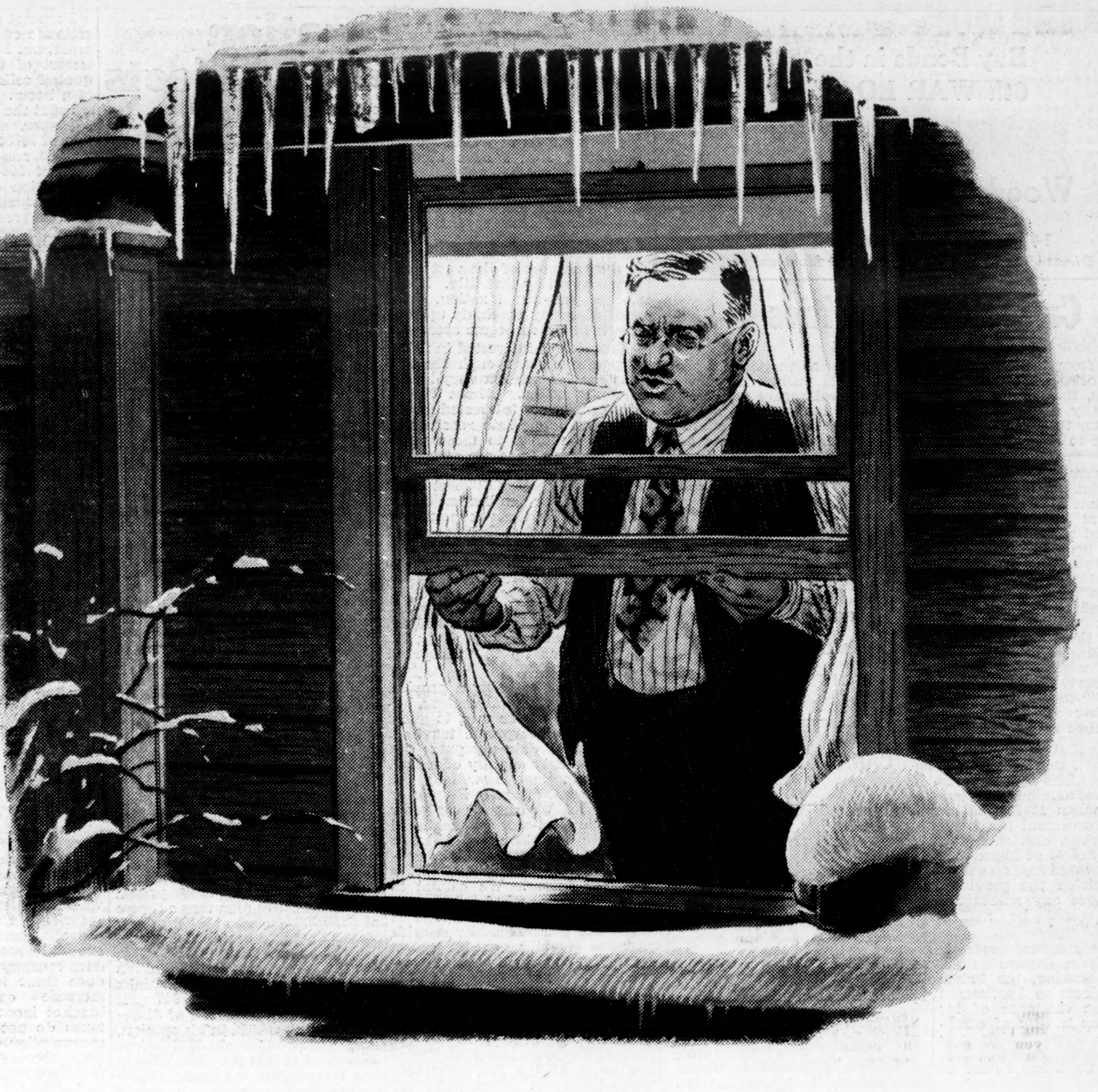
Leonard P. Ayres

"Post-war planning is assuming a progressively more uniform pattern as it is being discussed in Washington, and in magazine articles and newspaper editorials throughout the country. We seem to have pretty generally accepted the illusory idea that the purpose of post-war planning is to preserve wartime economic conditions after peace has returned. We want to retain, or even to increase, wartime wage rates, but we wish to hold prices down to wartime levels, or to decrease them somewhat. We want the wartime kind of full employment, with good jobs for all the demobilized munitions makers and returned servicemen, but with full liberty for everyone to choose the job he would like to have.

"To do all this we must have wartime levels of national income, but we want the flow of funds to originate with private enterprise, and not come from the Federal treasury. We want the transition from full wartime production to full civilian output to be brief and uncomplicated. Now most of the post-war planning that produces these ideas represents sheer wishful thinking. The truth is that the decrease in the flow of funds from the public treasury which will promptly result from the terminations and cutbacks of munitions contracts following the defeat of Germany will be about the same as the shrinkage in the national income which took place from the peak of prosperity in 1929 to the bottom of the depression in 1932.

"At best the transition will be difficult and complicated because the changes which we are about to make in our economy will be of huge proportions. It will be rendered doubly difficult if our planners in Washington carry out the plans they have recently been announcing in the public prints. They have decided that price ceilings should be maintained during the period of reconversion, and that new ceilings should be established for articles that have been out of production.

"Continuing controls over instalment buying are advocated. Commodity cartels are contemplated by those who are making plans for post-war international trade. Controls over the production of materials are being promoted. Reconversion will be a slow and sorry process if these ideas prevail. No one will produce at capacity while knowing that his enterprise may any day be wrecked by a new directive from Washington. Our planners are rapidly impairing our reconversion incentives."



Warm—but not fair!

JOE'S got the house too hot by careless firing of the furnace, so he's trying to heat all outdoors by opening the windows.

Through wasteful practices, he isn't being fair to his own family, or to other families using coal. He isn't helping America.

This winter it's vital to conserve coal as never before. This isn't because less coal is being produced. Actually, millions more tons are being mined this year than last — by fewer men. Quite a tribute to mine owners and miners alike! There are adequate facilities for hauling coal to your city. But certain grades and sizes of coal are needed for war production. And, in addition, your local coal dealer is handicapped by a shortage of manpower, trucks and tires. So be patient with him. Order before you're down to your last shovelful.

And conserve the coal he is able to deliver to you through firing carefully, closing off unused rooms, pulling down shades at night and through other simple precautions. For other suggestions see your coal dealer.

One of the biggest jobs of the C&O Lines is hauling coal from the mines along its routes, so we're in a position to understand the problem, and to know how essential coal is these days.

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Buy Bonds in the
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Canadian Securities

By BRUCE WILLIAMS

Viewed from the outside, the current Canadian political situation looks increasingly unreal. With over ¾ million men in the armed forces, the Navy over-supplied with volunteers and the Air Forces actually releasing men, how a reinforcement shortage has arisen and why the issue has been raised if only 16,000 non-volunteers are available to remedy the situation, is certainly difficult of comprehension.

When regarded from the purely political angle, a sharper focus is immediately obtained. The Liberal administration's strength, and at the same time its Achilles heel, is the support it derives from the Province of Quebec. Break Mackenzie King's control of a solid majcrity of French Canadian votes, and the groundwork is laid for the downfall of the Government in the forthcoming elections. However, even with this accomplished, no party other than the Liberal under the leadership of Premier King is capable of holding Quebec in line.

It is possible that when the emotions die down, the defection of the Prime Minister's supporters in Quebec will not assume important proportions, when it is realized that the reinforcement issue was aimed at Quebec, and should it result in the defeat of Mackenzie King, Quebec would lose its greatest friend outside the province, and furthermore any succeeding government would be mainly composed of its opponents.

Whatever may ensue, according to a report from Ottawa at the time of this writing, the Prime Minister's address to Parliament in staking the existence of his Government on a vote of confidence, will go down in history as one of the greatest speeches ever made in the Canadian House of Commons.

Although obscured by these political events, there were two noteworthy items of news during the week of a distinctly constructive nature which confirm previous confident anticipation. After 12 years of involved legal proceedings, a highly satisfactory basis of settlement has been reached which should finally take the Abitibi Power & Paper Company out of receivership. The Hughes Conciliation Committee which produced the plan is deserving of the highest praise for its achievement and perseverance, especially after so many previous attempts at a solution had failed.

The other welcome development was provided by the report from Edmonton that the Social Credit Party caucus has apprcved the Provincial Government negotiation with the bondholders to refund Alberta's public debt on a maximum interest rate of 3½%. Thus, after a prolonged period of doubt, and apparently intentional obscurement of the facts surrounding the recent negotiations, it is now evident that Premier Manning is determined to bring this issue to a satisfactory conclusion.

In view of the political furore there was little to no adverse effect on the market during the past week. Prices were firmly maintained but activity in the high-grade section was almost at a standstill. However, the favorable Abitibi news caused somewhat hectic trading in the 5s of 1953, which after touching par settled down around 98. Similarly, Albertas improved nearly a point and there was a definite dearth of offerings.

The market for internal issues was exceedingly quiet. Following the political uncertainty and absence of demand, the Canadian dollar in the "free" market eased to 10 7/16% discount.

With regard to the possible future trend, naturally the political factor will ultimately play an important part, but any satisfactory terminaticn of the current crisis will permit the operation of the many other favorable technical factors.

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Post-War Taxation And Its Effects

(Continued from first page)

boundaries of which and many of the components of which are still unknown. And I have accepted the challenge.

Our subject is "Post-War Taxation and Its Effects." Since I am only one of four speakers, and since I have no seven-league boots, I shall have to limit myself to a small part of the vast territory covered by that title. I shall discuss post-war taxation, but I shall place my emphasis upon its effects in the corporate area.

Everyone is interested in future corporate taxes, though the reasons for this interest vary in different quarters. About 500,000 corporations are interested for the good and immediate reason that they are subject to these taxes. These corporations are owned by nearly 10,000,000 stockholders. These stockholders at least think that they bear the burden of the taxes paid by their corporations, though eminent authorities assert that it is the wage earners and consumers who pay. Others are less directly, but no less surely, interested in corporate taxes because they know that a heavy tax load is inevitable and that if the corporations do not pay, they will. All this adds up to widespread public interest.

At the risk of being a prophet without honor, I shall venture, before the end of the war, to guess the future of corporate taxation. At this early date my guess can at best be only slightly educated. We do not know how long the war will last, either in Europe or the Pacific. We cannot now know what the post-war international economic structure will be, or what political trends will be current, either here or abroad, in the post-war future. We cannot at this time foresee what defense and other necessities will confront us when the war ends. Even with national security assured by an international organization to enforce peace, some economic philosophies would support greater governmental responsibilities — and expenses—than would be undertaken if more conventional philosophies were accepted. These are some of the imponderables which lie ahead. These and other uncertainties bear directly upon the future of corporate taxation in two ways. They will determine (1) the size of the post-war budget, and (2) the level of post-war national income.

Estimates of the Federal post-war budget are now running to figures that would have sent chills down the spines of the most daring spenders of the Thirties. Mr. Houston's Twin Cities plan contemplates a budget of $15,000,000,000 to $21,000,000,000, not including social security and debt retirement. So does the Ruml-Sonne plan. The CED plan has a budget of from $16,000,000,000 to $18,000,000,000. Others have given us various estimates. The late Wendell Willkie spoke of a budget of $20,000,000,000 or more. Professor Harley L. Lutz has estimated $14,000,000,000 to $15,000,000,000. He seems to be the low bidder among post-war tax architects.

Post-war budget guessing is a hazardous enterprise. The cost of our military establishment, benefits to veterans, and public works expenditures, are particularly unpredictable. Requirements of the armed forces after the war may vary over a wide range, depending on military events and international relations. It is almost impossible to forecast expenditures for veterans, which may well include dismissal pay and bonus payments. Expenditures for aid to agriculture, for foreign investment, and for relief may vary greatly. About the only budget items which can be projected with any accuracy are the ordinary costs of government and interest on the national debt. Even the latter will depend upon the length of the war.

At this point I am going to take the bull by the horns and give you my own budget forecast. I dare to say that we shall never again see a Federal budget below $20,000,000,000; and I am inclined to believe that our post-war budgets will average $25,000,000.000. This figure may be too high; if it is, I shall be agreeably surprised. But I prefer agreeable surprise to disagreeable shock. A realist always hopes for the best, but prepares for the worst. It is much safer than preparing for the best and being unready for the worst.

Published prophecies as to our post-war national income cover a wide range. I suppose the leading prophecy is that of S. Morris Livingston in "Markets After the War," published by the Department of Commerce. Mr. Livingston's estimated is $134,000,000,000 at 1942 prices. Dr. Goldenweiser and Mr. Hagen prophesy $142,000,000,000 at 1943 prices. Considering the differences in 1942 and 1943 price levels, these estimates are about the same. The Ruml-Sonne and CED plans are premised on a national income of $140,000,000,000 at 1943 prices. The Twin Cities plan uses a figure of $120,000,000,000 at 1942 prices; this amounts to about $125,000,000,000 at 1943 prices. Mr. Joseph Mayer, on the basis of his "underlying assumptions," thinks the national income in 1947 will be "in the neighborhood of $123,000,000,000," which, in his opinion, is only approximately 17% below the actual 1943 level. Mr. Willkie has stated that the national income "should never fall below $120,000,000,000 at 1942 prices." Vice-President Wallace has said that "we have to have full employment and an expanding economy to carry our debt load easily"; this, in Mr. Wallace's view, would mean "$170,000,000,000 in terms of total goods and services." Mr. Wallace was referring to gross national product (the total amount of goods and services produced), which makes his estimate comparable to Mr. Livingston's forecast. He goes on to say: "If we go up to $200,000,000,000, as we can go, we could carry the debt load that much more easily."

Some of the current optimism as to post-war national income is based upon the high volume of liquid savings which will be available for spending after the war, and the pent-up demand for consumer goods. But we cannot know in advance how 130,000,000 people will spend their savings or, indeed, whether they will spend the bulk of them on consumption goods when these goods are again available. Most people made bad guesses about the spending pattern which would govern the high income of the war period. Furthermore, we know neither how these savings are distributed among income groups nor what proportion of them is held by the high income groups, which rarely spend all of these incomes. I am strongly inclined to doubt whether there will be any post-war spending spree.

I am not qualified to make any estimate of post-war national income, but I can say that even the lowest of the estimates I have quoted calls for the stabilization of a boom. It means production, without the Government as a war customer, at a rate three times that of 1933; 70% higher than that of 1940, and only a little less than that of 1943. This implies the conversion of almost all of our war production to civilian production. It assumes full employment, which means at least 56,000,000 jobs at sufficient pay to buy the goods and services produced by workers in those jobs. In fact, national income is the result rather than the cause of full employment. The high estimates of national income are nothing more than projections of the effect of full employment upon the economy.

It we realistically contemplate a drop in plane production to about 5% of its present level, a shrinkage of the shipbuilding industry to about 10%, and if we remember that the machine tool industry is now operating at 10 times the rate of any year of peace, the synthetic rubber factories at a considerably greater rate than in peace-time, and the steel industry at about 90,000,000 tons, we begin to realize the magnitude of our assumption that national income will be as high as $140,000,000,000. All the employees displaced after the war from these industries and from the production of aluminum, magnesium, and other non-ferrous metals, will have to find jobs in peace industries. So will about 9,000,000 returning soldiers. I should like to see more discussion of how this miracle is to happen, and less bland assumption that it will happen.

Our unpreparedness for the post-war period extends into tax theory. So far our thinking has not faced the perhaps insoluble dilemma confronting us. Everyone wants the highest possible amount of consumption and investment. Certain taxes, such as payroll taxes, excise taxes, and lower bracket income taxes, reduce consumption. We should reduce these taxes if we wish to increase consumption. High bracket income taxes and estate taxes do not significantly affect consumption. But these taxes may discourage investment; it is therefore argued that they should be reduced. A disquieting question might be asked in parenthesis: Why did investment almost completely disappear in the early Thirties after several years of low taxes? But I am not debating; I sincerely want to meet this issue at a more basic level. We must get taxes somewhere, and we shall have to decide the question whether our approach to post-war taxation should favor consumption or investment. This latent ambiguity lurks in almost all current discussion of the subject.

Nor do those who urge that income taxes are a deterrent to investment all agree as to the point in our economic system at which investment decisions are made. Are they made primarily at the level of the corporation executive whose foremost concern is corporate profits, or are they made at the level of the individual investor who is interested in his own income? If we think that these decisions are made primarily by the corporate executive, we should move to solve our problem in the field of business taxes. If we think that these decisions are made principally by the individual investor, we should move to solve our problem in the field of the individual income tax. At the present time we do not know which way to move.

If we assume that we should be primarily concerned with investment decisions of the individual income recipient, we should still have to decide upon the income ranges which could be expected to furnish the main source of investment funds. This we do not know now. Is it the recipients of incomes under $50,000, or the recipients of incomes between $50,000 and $100,000, or the recipients of still larger incomes? At the moment we have no adequate analysis of the income ranges which are most strategic from the investment point of view.

We are also without sufficient knowledge of the incidence of corporation taxes. Mr. Ruml, Mr. Sonne, and the Committee for Economic Development, contend that these taxes are shifted to consumers and wage earners as well as stockholders. Their argument is against the corporate tax because: (1) it reduces corporate investment by lowering yields; (2) it takes away vital and enormous funds which would otherwise be used to raise wages or lower prices; and (3) it results in double taxation of the shareholder's dividend income. Points (1) and (3) are good only to the extent that the corporation tax falls upon corporate profits, and point (2) only to the extent that the tax is shifted. The three arguments, it should be noted, do not apply simultaneously.

If corporate taxes are shifted to consumers they become, in fact, excise taxes or concealed sales taxes, although they are perhaps a less efficient instrument than a direct sales tax. To the extent that they are shifted to wage earners in the form of reduced wages they have a tendency to reduce consumer expenditures. To the extent that they are shifted to the owners of capital, they represent additional personal income taxes. The traditional economic view is in the direction that these taxes are not shifted. But certainly considerable respect should be given to the views of Mr. Ruml and others who contend that the real incidence of these taxes is on wage earners and consumers. At any rate, the formulation of a sound post-war tax plan depends upon the answer to this vexed question.

On one item of post-war corporate taxation there is almost complete agreement. It is that the excess profits tax should go. This tax may be advisable for the transition period, but for the long pull it is peculiarly inappropriate. Mr. Blough, of the Treasury, has said that the tax has a "short life expectancy." The only open question is the date on which repeal should take effect. Harold Groves has suggested repeal at the close of hostilities, with provision for the repeal "to take effect later." This may be a wise compromise.

The elimination of the excess profits tax will leave us with about $31,000,000,000 of revenue with taxes at present levels and a national income of $140,000,000,000. We can continue in territory of fairly general agreement by assuming: (1) a considerable reduction of excise taxes; (2) the repeal of the 3% normal tax, and (3) the repeal of the capital-stock and declared-value excess profits taxes.

Besides being politically popular, the reduction of the excise taxes will give a valuable stimulus to purchasing power, as will also the repeal of the 3% normal tax. The capital-stock and declared-value excess profits taxes have been justly condemned in almost every quarter. Recently Mr. Blough suggested that these taxes be "simplified in the manner urged by the Treasury for some years and unanimously concurred in by business—namely, repeal." These three changes will reduce to $25,000,000,000 the yield of $31,000,000,000 which would come from our present system without the excess profits tax.

Now we begin to walk on quicksand. If our budget stays as low as $20,000,000,000, we still have left $5,000,000,000 of possible reduction, assuming no amortization of the national debt. If our budget should be $25,000,000,000, we have no room for further reduction if we would balance the budget. If our budget should exceed $25,000,000,000, we are in the red. Bear in mind that we are assuming a top post-war national income of $140,000,000,000. If our national income should drop to $120,000,000,000, we are almost in the red with a $20,000,000,000 budget. This is without allowance for any relief expenditures, which would probably be necessary at this level of national income, and would certainly be necessary if the national income dropped any lower.

Assuming the most favorable possible post-war financial picture, and no debt retirement, there is a possible $5,000,000,000 tax reduction. A five-point drop in the first bracket of the surtax would involve a loss of revenue of nearly $3,000,000,000 at the $140,000,000,000 level of national income. This would leave only $2,000,000,000 for corporate tax reduction—enough, perhaps, to reduce the rate 10%, from 40% to 30%, or to allow for the exemption of dividends from corporate tax with a tax on undistributed profits at 40%. This, I would say, was the ultimate in corporate tax reduction.

This outlook is not so dismal as may first appear. With national income at the $140,000,000,000 level, corporate profits should reach $18,000,000,000. Even with no reduction beyond the elimination of the excess profits tax, this will leave $11,000,000,000 of corporate profits after taxes. I need hardly add that this amount exceeds anything in corporate tax history, even including the war years. A reduction in corporate taxes of $2,000,000,000 would leave $13,000,000,000 in corporate profits after taxes.

I wish we could think that we had solved our problem by keeping our budget at $20,000,000,000 and our national income at $140,000,000,000. Unfortunately, this is not so. We have to take account of the problem of balancing savings and investment. The savings habit is in the bloodstream of the American people. As children they were taught that saving was a virtue. As workers they are paying social security taxes to provide a nest egg for their old age. As citizens they are salting money away in war bonds — nearly $12,000,000,000 worth in 1943. Even in the year 1932, with national income at only $40,000,000,000, individual savings amounted to $2,600,000,000, or 6½% of national income. Lately, because of lack of civilian goods and services, and a war-time sense of restraint, savings have been going on at the rate of about 22% of national income — $17,600,000,000 for the first half of 1944. It does not seem reasonable to assume that individual income recipients will save less than $25,000,000,000 out of a national income of $140,000,000,000. With this amount of individual savings, how shall we achieve a balance between savings and investment? How shall we make it possible for total savings to flow into enterprise directly or indirectly by way of investments? In other words, how shall we absorb annual savings in new capital formation?

In no sense do I wish to imply that we have arrived at a mature economy. Please understand that. I am optimistic about the future. I see many hopeful factors. But there is a difference between a mature economy and a mature approach to economic problems. In approaching this phase of our problem we have to take experience into account. History, including the year 1941, shows us no record of business investment sufficient to balance savings at the level of income which will reflect full employment in the post-war period. To do our job we shall have to break records.

To some of you I may have sounded somewhat pessimistic this evening. I have that I will not be misunderstood. In spite of the taint of Government experience, I am not a tired defeatist. I believe in the future of America. I think we can lick our problems. But what we need to lick them is intelligent confidence which faces obstacles—not empty, vacant optimism looking in the other direction. It is the people who are afraid of a $25,000,000,000 budget who do not believe in Americca. They, and those who blandly assume a high national income while doing nothing to achieve full employment, will be the real defeatists of the post-war period. The problem of post-war taxation will not be solved by wishful dreaming. It will be solved only if we bear the "fire in our bellies," which, in Justice Holmes' words, will "survive and transfigure the hard facts."

Western Pa. Group Of IBA Elects Grubbs

PITTSBURGH, PA. — At a recent meeting of the members of The Western Pennsylvania Group, Invest. Bankers of America, held in Pittsburgh, the following were elected to serve as officers for one year: Chairman, M. M. Grubbs, Grubbs, Scott & Co.; Vice-Chairman, M. G. Hulme, Glover & McGregor Inc.; Secretary-Treasurer; L. W. Voigt, Hemphill, Noyes & Co. In addition to the present members of the Executive Committee (J. H. Fauset, Singer Deane & Scribner; James H. Scott, James H. Scott & Co.; S. K. Cunningham, S. K. Cunningham & Co.; A. C. Coney, Union Trust Co.), Paul Tunnell of H. M. Byllesby & Co. and Norman C. Ray of Kay Richards & Co. were elected to serve a three-year term.

M. M. Grubbs

"There's Joy in Working"

Harper Joy, Executive Vice-President of Ferris & Hardgrove, Paulsen Building, Spokane, Wash., is the head of the Sixth War Loan Drive for Spokane. Being a real showman, he is giving Spokanites a grand time for their bond buying. A cute little white bungalow on Riverside Avenue is headquarters. "Hitler" and "Tojo" faces are placed as floor mats at each door. Bond buyers are permitted to step all over them, and do they love it! In back of the bungalow (which is situated in the street) a store has been rented in which Army and Navy boys demonstrate how bond dollars work. It is a foregone conclusion that the quota for Spokane will go over the top.

Joseph Adrian Dead

Joseph M. Adrian, member of the New York Stock Exchange, died at Mount Kisco, New York after a brief illness. He was 52 years of age.

FINANCIAL NOTICES

INTERNATIONAL - GREAT NORTHERN RAILROAD COMPANY

FIRST MORTGAGE BONDS SERIES
NOTICE TO HOLDERS OF
A, B AND C.

Payments equal to two six months' interest accruals for periods ended January 1, 1936 and July 1, 1936, on International-Great Northern Railroad Company First Mortgage Series A, B and C Bonds, in the aggregate amount of $1,610,000, has been authorized by Order No. 2579, entered October 17, 1944, of the United States District Court, Eastern Division, Eastern Judicial District of Missouri.

In pursuance of said Court Order said payment is to be made to said bondholders on and after December 6, 1944 and shall be received and accepted by them subject to the provisions and conditions of said Order. The aforesaid Order may be examined at the Office of the Clerk of said Court. Holders of said Bonds must obtain from the undersigned, address Missouri Pacific Building, St. Louis, Missouri, or from J. P. Morgan & Co. Incorporated, New York City, Paying Agent, a form of letter for transmitting to said Paying Agent, direct or through local banks, at holder's risk, (a) the Coupons numbered 27/28, 19/20 and 16/17, due January 1, 1936 and July 1, 1936, respectively, detached from the definitive Bonds of said Series, and (b) the Fully Registered Bonds of said Series. A separate income tax ownership certificate for the aggregate interest to be received under each maturity, as indicated above, and more particularly indicated in the required Letter of Transmittal, should be forwarded with the Coupons or Bonds presented. Said Paying Agent will (1) return all Fully Registered Bonds, at owner's risk, with notation of the aforesaid interest accrual payments stamped thereon, and (2) duly make remittance covering said interest accrual payments on said Coupons or Fully Registered Bonds.

GUY A. THOMPSON, TRUSTEE,
INTERNATIONAL-GREAT NORTHERN
RAILROAD COMPANY, DEBTOR.

Dated at St. Louis, Mo.
November 29, 1944.

NOTICE TO HOLDERS OF

NEW ORLEANS, TEXAS & MEXICO RAILWAY COMPANY

FIRST MORTGAGE AND INCOME BONDS

Payment equal to three six months' interest accruals to the holders of New Orleans, Texas & Mexico Railway Company Bearer and Registered Bonds, in the aggregate amount of $3,425,025, has been authorized by Order No. 2578, entered October 17, 1944, of the United States District Court, Eastern Division, Eastern Judicial District of Missouri, as follows:

(a) for three six months' periods ended, respectively, October 1, 1940, April 1, 1941 and October 1, 1941 on First Mortgage Series A and B Bonds,
(b) for three months' periods ended, respectively, February 1, 1941, August 1, 1941 and February 1, 1942 on First Mortgage Series C and D Bonds, and
(c) for three six months' periods ended, respectively, October 1, 1943, April 1, 1944 and October 1, 1944 on Non-Cumulative Income Bonds.

In pursuance of said Court Order said payment is to be made to said bondholders on and after December 6, 1944, and shall be received and accepted by them subject to the provisions and conditions of said Order. The aforesaid Order may be examined at the Office of the Clerk of said Court. Holders of said Bonds must obtain from the undersigned, address Missouri Pacific Building, St. Louis, Missouri, or from J. P. Morgan & Co. Incorporated, New York City, Paying Agent, forms of letters for transmitting to said Paying Agent, direct or through local banks, at holder's risk, (a) the Coupons numbered, respectively, 33/35, 33/35, 29/31, and 26/28, detached from First Mortgage Bearer Bonds, and also, from Bonds registered as to principal only, of the aforesaid Series A, B, C and D, and (b) the Fully Registered First Mortgage Bonds of said Series, and, also, the Non-Cumulative Income Bonds with all unused coupons attached. A separate income tax ownership certificate for the aggregate interest to be received under each maturity, as indicated above, and more particularly indicated in the required Letters of Transmittal, should be forwarded with the Coupons or Bonds presented. Said Paying Agent will (1) return all Fully Registered First Mortgage Bonds, and all Non-Cumulative Income Bonds, at owner's risk, with notation of the aforesaid interest accrual payments stamped thereon, and (2) duly make remittance covering said interest accrual payments on said Coupons or Fully Registered First Mortgage Bonds and Non-Cumulative Income Bonds.

GUY A. THOMPSON, TRUSTEE,
NEW ORLEANS, TEXAS & MEXICO
RAILWAY COMPANY, DEBTOR.

Dated at St. Louis, Mo.
November 29, 1944.

FINANCIAL NOTICE

NOTICE TO HOLDERS OF

MISSOURI PACIFIC RAILROAD COMPANY

FIRST AND REFUNDING MORTGAGE BONDS
SERIES A, F, G, H AND I.

Payment equal to two six months' interest accruals to the holders of Missouri Pacific Railroad Company First and Refunding Mortgage Bearer and Registered Bonds, in the aggregate amount of $13,159,525, has been authorized by Order No. 2577, entered October 17, 1944, of the United States District Court, Eastern Division, Eastern Judicial District of Missouri, as follows:

Series A, two six months' periods ended August 1, 1936 and February 1, 1937,
Series F, two six months' periods ended September 1, 1936 and March 1, 1937,
Series G, two six months' periods ended May 1, 1936 and November 1, 1936,
Series H, two six months' periods ended April 1, 1936 and October 1, 1936,
Series I, two six months' periods ended August 1, 1936 and February 1, 1937.

In pursuance of said Court Order said payment is to be made to said bondholders on and after December 6, 1944, and shall be received and accepted by them subject to the provisions and conditions of said Order. The aforesaid Order may be examined at the Office of the Clerk of said Court. Holders of said Bonds must obtain from the undersigned, address Missouri Pacific Building, St. Louis, Missouri, or from J. P. Morgan & Co. Incorporated, New York City, Paying Agent, a form of letter for transmitting to said Paying Agent, direct or through local banks, at holder's risk, (a) the Coupons numbered, respectively, 39/40, 19/20, 15/16, 12/13 and 11/12, detached from the Bearer Bonds and, also, from Bonds registered as to principal only, of the aforesaid Series A, F, G, H and I, and (b) the Fully Registered Bonds of said Series. A separate income tax ownership certificate for the aggregate interest to be received under each maturity, as indicated above, and more particularly indicated in the required Letter of Transmittal, should be forwarded with the Coupons or Bonds presented. Said Paying Agent will (1) return all Fully Registered Bonds, at owner's risk, with notation of the aforesaid interest accrual payments stamped thereon, and (2) duly make remittance covering said interest accrual payments on said Coupons or Fully Registered Bonds.

GUY A. THOMPSON, TRUSTEE,
MISSOURI PACIFIC RAILROAD COMPANY,
DEBTOR.

Dated at St. Louis, Missouri,
November 29, 1944.

FINANCIAL NOTICE

OFFER OF PREPAYMENT

To all Holders of

ATLANTIC COAST LINE RAILROAD COMPANY OF SOUTH CAROLINA

General First Mortgage 4% Bonds, due July 1, 1948

On and after November 15, 1944, and to and including December 31, 1944, the Atlantic Coast Line Railroad Company (successor of Atlantic Coast Line Railroad Company of South Carolina) will make payment, prior to maturity, of the outstanding $2,286,000 of bonds of above described issue at their principal amount, plus interest to January 1, 1945, and a premium of $140 per $1,000 of principal amount.

Holders of said bonds desiring to accept this offer of prepayment should surrender the same to the **United States Trust Company of New York, Fiscal Agent, 45 Wall Street, New York 5, N. Y.**, with January 1, 1945, and all subsequent coupons attached, against payment of $1,160 per $1,000 bond.

Bonds registered as to principal must be accompanied by proper instruments of assignment and transfer in blank.

ATLANTIC COAST LINE RAILROAD COMPANY
By F. D. LEMMON, *Vice President*

New York, N. Y., November 15, 1944

SOME REASONS FOR QUESTIONING
THE PRESENT HIGH LEVEL OF
MUNICIPAL BOND PRICES
THE ABOVE ANALYSIS IS AVAILABLE ON REQUEST

KAISER & CO.
MEMBERS NEW YORK STOCK EXCHANGE • SAN FRANCISCO STOCK EXCHANGE
25 BROAD STREET
NEW YORK 4
WHITEHALL 3-9015
1500 RUSS BUILDING
SAN FRANCISCO 4
DOUGLAS 0773

Wire Bids on
VIRGINIA—WEST VIRGINIA
NORTH and SOUTH
CAROLINA
MUNICIPAL BONDS
F. W.
CRAIGIE & CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

Municipal News & Notes

The lowest rate of interest ever obtained on surface traction financing marked the recent award by the City of Seattle, Wash., of $6,000,000 transportation system revenue refunding bonds to a syndicate headed by Blyth & Co. The group purchased the bonds, which mature serially from 1946 to 1956, at a price of 101.67 for 1¾s. No reoffering of the issue was made by the successful syndicate.

The City of Seattle, according to John A. Beeler, consulting transportation engineer of New York City, is the only large municipally owned and operated transportation system that was completely modernized with electric trolley coaches, replacing street cars before the start of the war.

Operating at a loss for many years, Seattle's transportation system had an indebtedness of some 13 million dollars in 1939. Modernization was started in that year and refinancing was carried out through the sale of $10,700,000 4½% revenue bonds to the Reconstruction Finance Corporation.

Under that plan, approximately $4,500,000 was used to retire old debts and $6,200,000 was used for trolley coach modernization. According to Beeler, who handled the modernization plans, the ratio of operating costs has been reduced from 108% to 75% and the interest charges from 11.8% to 3.6% by 1943.

Operations which resulted in an annual deficit of some $900,000 for 1938 were transformed to a surplus of $2,005,000 for 1943, after all interest charges during the same period. Bonded indebtedness has been reduced from $10,700,000 to a present level of $7,500,000 and with a rate of interest of 3½% prior to the recent refunding.

Total passenger revenue for 1943 was $9,651,970. Trolley coach revenue amounted to $6,576,796 and motor bus revenue, $3,075,175. Balance after expenses, taxes and depreciation for the system was 25%. Of this balance, trolley coach revenue accounted for 37.5% while motor bus revenue resulted in a deficit of 1.6%. Seattle operates 276 trolley coaches and 256 motor buses.

Revenue for trolley coaches was 49.85c. per mile and motor bus, 31.37c. Balance after expenses was $2,462,606 for trolley coaches and a deficit of $47,700 for motor buses. This balance amounted to 18.67c. per mile or $8,923 per vehicle for trolley coaches and .50c. per mile deficit or $187 deficit per vehicle for motor buses.

Local Housing Units Increase Payments "In Lieu" of Taxes

Cities with low-rent public housing are receiving substantially increased revenues in lieu of taxes from the projects—the result of the new Federal Public Housing Authority policy authorizing a public housing authority to make "in lieu" payments amounting to 10% of shelter rents.

Under the previous policy, the municipality received approximately 5% of shelter rent.

Estimates are, according to the National Association of Housing Officials, that local taxing bodies will receive more than $715,000 in increased payments in lieu of taxes from the 175 municipal housing authorities throughout the nation as a result of the new FPHA policy.

That the ruling may result in substantially increased revenues for many cities is indicated by the following reports:

In Birmingham, Ala., 10% of shelter rents for 1944 will total $56,640 compared to the $35,730 paid the city by the Birminghom Housing Authority last year on four separate projects in the city.

Louisville low-rent housing projects will pay the city $63,000 in lieu of taxes this year compared to $58,630 last year, the Director of the Louisville Municipal Housing Commission reports.

Boston's eight public housing projects, which paid the city $285,000 last year, will pay an additional $25,000 this year to up the total to $310,000. Only three of the eight projects are affected by the new FPHA ruling, however, so the $25,000 increase will be made by these three projects, raising their contribution from $25,000 to $51,049.

Houston, Tex., under the revised pay policy will receive $42,100 from its four low-rent housing projects, $6,200 more than was received last year.

Memphis' housing authority will increase payment in lieu of taxes to the city by approximately $25,000 during the fiscal year beginning July 1, to bring total payments to $63,000.

The Harrisburg, Pa., housing authority expects its 1944 payments to the city to total $11,000, compared with $5,500 paid in 1943.

Six public housing projects in Newark, N. J., which paid $18,000 to the city in lieu of taxes last year, expect to boost the payments to $74,000 this year.

New York City, Dallas, Detroit and Philadelphia are among the cities to receive substantial increases in payments in lieu of taxes from their low-rent public housing authorities, according to the Association. New York City, on ten projects, will receive $335,000 this year and Dallas, from four projects, will receive more than $50,000—substantial increases in both cities.

Sixteen States Forbid Diversion of Gasoline Taxes

Voters of the State of Washington adopted at the recent general election a constitutional amendment earmarking automotive taxes for roads, thus increasing to 16 the number of States which have set up constitutional safeguards against the diversion of such receipts to non-highway purposes. In connection with the subject, Thomas E. Wright, Secretary of the New York Petroleum Industries Committee, commented as follows:

"This movement of the people of the States to correct shortcomings in their basic laws is one of the most significant trends in popular government. It indicates the effectiveness of our democratic system, with the people free to exercise the right to vote not only to select their representatives, but also to lay down the basic rules of taxation and public policies.

"Gasoline taxes and motor vehicle registration fees were devised by the States to pull their citizens out of the mud. But as time went on and the gasoline tax rates were increased to produce high revenues, some States forgot the basic purpose of automotive levies. Raids on the highway funds were resorted to in a number of States.

"Then the people began to think about this new practice, hitherto virtually unknown in democratic America, of taxing the people for one thing and using the proceeds for other purposes. There was growing conviction among the people that such a practice was 'taxation by misrepresentation.' People paying road taxes, it was realized, lost through diversion not only their tax dollars—hundreds of millions of those tax dollars—but they also did not obtain the roads for which they paid their money.

"Recognition by the people of the implications of the practice of diversion upon the pattern of taxation under democratic government set into motion a battle of ballots which, it is believed, is without parallel in American history. By 1940 the people of seven States had gone to the polls and had adopted constitutional amendments repudiating the diversion of automotive tax funds to non-highway purposes as an unsound public policy.

"In a single year, 1940, four additional States placed their names on the honor roll. In 1942 (public questions in most States are submitted to the electorate every second year) the people of three more States used their ballots to implant a fair road tax plank into their constitutions.

"In 1944 still two more States—Maine and Washington, at the two northern corners of the map — adopted such constitutional amendments, making a total of 16 States that have set up safeguards to assure fair taxation of highway users. Never before, it is believed, have so many States in so short a time changed their constitutions in a movement against inequitable taxation.

"Next year the people of Kentucky will vote upon an amendment against diversion. In two other States — Connecticut and Pennsylvania — the State legislatures have initiated action to submit such amendments to the electorate.

"Without delay, the Legislature of this State (New York) should take the necessary steps to permit the people to speak upon this fundamental tax matter."

The sixteen States which have prohibited by constitutional amendment diversion of gasoline and automotive taxes to non-highway purposes are: California, Colorado, Idaho, Iowa, Kansas, Maine, Michigan, Minnesota, Missouri, Nevada, New Hampshire, North Dakota, Oregon, South Dakota, West Virginia and Washington.

In addition to the foregoing there are, of course, a number of other States which have achieved the same objective coincident with bond issue financing for highway construction. In these cases, the restraint rests in the covenant with bondholders requiring that debt service on outstanding highway obligations constitute a first lien on revenues derived from gasoline and automobile registration taxes.

An Economic Basis For Post-War Business Planning

(Continued from first page)

or structural changes in the markets in which they buy and sell. Often the success or failure of an individual business or of a whole industry will depend primarily on how accurately and promptly it adjusts its operations to economic changes over which it has no control. And sometimes failure to allow for changing economic conditions will bring loss even though great skill is used in production and distribution. Business planning is more difficult than ever before but it also is more essential.

Perhaps the most useful approach we can make to the problem of guiding our planning activities is not to indulge in fancy guessing or to attempt to make a lot of precise predictions, but simply to state what seem to be the best working assumptions with respect to the economic shape of things to come. That is what I shall attempt to do this morning in the hope that such working assumptions will be of some assistance to you in setting up your financial budgets, production schedules and long range plans for the post-war period. But it would be inappropriate for me to attempt to apply those assumptions to your particular industry or business. That requires the most intensive analysis by people who are intimately familiar with the basic economics of the individual industry and of its relationship to business as a whole.

What are the best working assumptions as to the course of business in the post-war period. We shall discover what they are, I think, if we list the significant economic developments of the war and then see what they imply as to the post-war period.

I

We possess the power to increase production quickly and substantially. The first of the great facts which we discovered about our economy during the war is that we possess an ability to produce new industrial capacity much more quickly than we thought possible and have learned how to use unskilled labor in complex industrial operations.

Industrial production in October was more than double the average level reached in 1937. War needs have caused many billions of dollars of new capacity to be added in an incredibly short period with much of it the most complex and modern machinery capable of producing fabricated metal products to high limits of precision. Those who have traveled about the country know that it is impossible to go very far without seeing at least one of our fabulous new war plants.

There has been a less spectacular but even more significant accomplishment in the training of labor for the operation of the intricate and complicated machines of modern industry. Management was faced with a loss to the Armed Forces of many of its best workers with the imperative need to bring unskilled people into the labor force and to increase production at the same time. This it did by separating many complex operations into several individual jobs which could be taught quickly to inexperienced workers—old and young of both sexes. The operators of many of the machines in our new industrial establishments are people who never before had their hands on even the most simple industrial tool.

The story on farm production is much the same. American agriculture has expanded farm production more spectacularly than almost anyone expected.

What do these facts about our productive capacity portend? One rather obvious answer to this question is that *we need not fear a big inflation of prices if our demonstrated potentialities to increase the production of goods of all descriptions are permitted to be realized.* Inflation is a compound of expanded monetary demand and limited physical production. If our people want seven to 10 million cars per annum instead of five or six, if they want many times as many radios, washing machines or other household appliances as have ever been produced before, and if they want to replace obsolete housing with new and modern facilities, our industry can do those jobs without increasing prices very much. An industrial system so capable and efficient as ours has demonstrated itself to be, will be able to meet virtually any demand if it is free to produce.

Our wartime experience also tells us that *it is not a dream but a reality within this nation's grasp for us to produce goods and services in such abundance as to lift the standard of living materially and to raise the under-privileged peoples of this country to an adequate level of consumption.* Clearly it is now time that we stop the talk of economic maturity which has been so fashionable of late. The Axis nations know that this country is not mature and now we have only to convince the few die-hard economists among us who insist on shutting their eyes to the economic realities.

II

The consumption potential of our domestic market is colossal. The second great fact of World War II is that actual consumption experience of the domestic market alone has made a shambles of most of the estimates of how large our domestic market can be. Somehow we got our economic sights set too low in the thirties but gradually it is dawning on our market research people that what the American market was able to consume in that depressed decade has little relation to what our people want and will consume when they have jobs instead of being on the dole. The talk during the thirties was in terms of replacement markets instead of vast new markets for new goods. The statistics seemed to support the assumption that the saturation point had been reached in a number of our major industries. The auto registration figures looked like they were rounding off and housing was in the doldrums with real estate prices suggesting a surplus of housing facilities; it seemed to some as if all this nation needed was more parks and larger doles. Of course, if 10 million workers were going to remain on the dole, the American dream of a home and an auto and the good life for every family might well be forgotten.

But what happened during the war? The people on the dole and the workers on part time were able to go to work with the result that consumption habits changed. Domestic non-military consumption of the cheaper cuts of meat was reduced and the demand for the better qualtities increased spectacularly; oranges and lemons and fresh fruits and vegetables of every description went on the tables of a lot of people who needed them but had not been able to afford them for a long while indeed. Tenants moved from the cold water flats to more decent housing in a number of our American cities. Upgrading of purchases was the story all along the line as people began to purchase better qualities and more of the things that for the first time in a long while they could afford. What is the result of all of this? We have shortages today of a number of things that formerly looked to be in virtually permanent over-supply. Who can say that our people want only the 30 million passenger automobiles they had in 1941? Will they stop at 35 million or 40 million? I'm sure I can't tell you; but, it is clear that *we must recompute our market potentials for we have seen what happens when we move people up a notch in the income brackets.* This nation needs more and better housing and automobiles and foods and a long list of the good things of life and we now know that the markets are there.

III

There is a great backlog of foreign demand for American goods. The third factor of great post-war significance is a great accumulated foreign demand for our goods. Many nations have not had access for some time to the markets of the world, they have accumulated vast resources of purchasing power which they clearly expect to use in whatever market is able to supply what they want, and our industries will probably be ready to supply the goods before those of Europe are back in production. The extent of this demand is clear from letters which the Irving Trust Company has obtained from its correspondents all over the world. Excerpts from those letters have been assembled in pamphlet form which will gladly be made available to you in case you care to write for a copy.

The funds to make this demand effective are available. Foreign governments, central banks, and individuals have already in this country in gold under earmark, on deposit in our banks, or in American securities many billions of dollars—although it is impossible to state an exact figure since so large a portion of the capital movements over the past few years has been statistically invisible.

The whole world seems determined to expand foreign trade and to move out of the period when international transactions were choked and hampered by artificial restrictions of the most ingenious sort. There is now a clear-cut tendency for the major nations to show some ingenuity in the other direction and the Bretton Woods and Dumbarton Oaks Agreements provide evidence that a determined effort is going to be made to foster an expansion in foreign trade. It is probably a good working assumption that *foreign trade in the post-war period will be greatly expanded from the depressed levels of the thirties.*

IV

Wartime restrictions on production have created a vast unsatisfied domestic demand for durable consumers goods. The fourth wartime development of great post-war significance is the development of a backlog of domestic demand large enough to provide the basis for capacity operations in many of our durable consumers' goods industries for from two to four years.

For a long while our people have not been able to purchase new homes of the type they want in peacetime, automobiles, electrical appliances and house furnishings or adequately to maintain what they have. Deferred repair, maintenance and replacement alone could make for a vigorous demand, but superimposed over that will be the need for restocking the shelves of our distributive organizations and for meeting the demand for housing, house furnishings, etc., from the new families formed during the war period.

V

Wartime savings will provide the down-payment on post-war prosperity. Individuals have saved since 1939 approximately $100 billions of funds now held in bank balances, currency and United States Government bonds. Remember that figure. It is $100 billions, or more than this nation's national income in any year prior to 1942. With that $100 billions the American people can finance the biggest boom in housing, automobiles, radios, television, travel, clothing, entertainment—and don't forget food—that we have ever seen.

VI

War has increased the revenue needs of the Federal Government. We will inherit from the war a debt so massive that servicing it will alone require revenues as large as total government expenditures not many years ago. But that is not all. Our people have demanded and obtained a number of Government commitments for subsidies, relief, etc., which will add billions to our tax bill. There is room to argue as to how big the Federal expenditures *should* be, but in any event we shall need for the Federal Government sums of revenues so large that they mean inevitably high taxes for a long while ahead.

A fact of life for us in the post-war period is taxes—high taxes—higher taxes than we have ever thought we would be saddled with in peacetime. And, in all likelihood, the kind and incidence of the taxes will be determined more by political expediency than by the tax experts. The probabilities are that we shall have very high taxes on the high and upper middle income brackets and quite low taxes on the lower income brackets. *We shall probably not be able to avoid a system of rates much more steeply progressive than was the case before the war. This suggests that the impact of post-war taxes will be to increase the proportion of income after taxes received by the masses and to reduce the proportion after taxes received by people in the upper income brackets.* Now, what would that mean? Simply that the *mass markets would be better relatively than the class markets* and that our marketing policies would have to be adopted to the changed pattern of income distribution.

VII

Technological progress has been greatly accelerated during the war. Another fact of this war is the acceleration of technological development. We have an imposing list of new industries or old ones with new potentialities—radar, electronics, television, plastics, the new metals, and a host or others. In addition, we have made such great progress mechanically that it is not unreasonable to expect that we shall in the predictable future be able to produce many of the good things of life at a cost lower than before—despite higher wages. What does this mean? Probably that *we are ready for a great expansion of demand as lower prices of finished products expand markets.* But it also means that management must because of the new competitors for the consumers' dollar be alert to new methods of lowering costs and prepared to take advantage of every possible method of making their products more attractive or useful and lower in price.

VIII

War has created excess capacity in many lines. In many lines the capacity built during the war will exceed post-war demand by wide margins. But that isn't all. We have experienced a major reversal in the trend toward specialization in production and distribution. The necessities of war have broken many of the lines which kept producers and distributors in one business from entering others. Now many businesses are looking for lines to add and the other fellow's high profit products look attractive. And another factor is that in distribution every store seems now to be a potential department store. This means intense competition, and it suggests that the old-line companies may find it necessary to engage in some quite aggressive advertising and promotional activities if they are to maintain their position as leaders in their industries.

IX

War has absorbed a substantial portion of our productive resources and has required great shifts in production. This means that we have a difficult job ahead in reconverting industry, demobilizing the Armed Forces and in taking the inflation out of Government expenditures. We must reconvert several industries which in peacetime represented a substantial fraction of our total industry. We must demobilize about 10 million men into the working force, and demobilize many of the youth, the women, and the aged who have made a magnificent contribution to the war effort, back into the schools, the homes, and into retirement. We must adjust ourselves to the absence of the bloat in national income which has its origin in long hours of work per day and per week, high rates for overtime, 52 work weeks per year and more than one income earner in thousands of families. And make no mistake about it, the war period will have witnessed the all-time high in family incomes for many of our people. We have to demobilize out of existence war industries employing millions of men. That all spells economic shock. For a number of reasons already cited, the reconversion period is not likely to go down in our economic history as one of our long depressions, but it can witness a sharp though temporary contraction in business activity.

X

No nation has during the war found the secret of full employment in peacetime. It is a dismal fact that neither this nor any other modern nation has found the secret of full employment in peacetime. Governments everywhere are committed to continuance of the social and economic policies of the thirties. The result then was economic stagnation and unemployment. The people got their doles, and that represented social progress—but they did not get jobs. The war has brought full employment—but nothing to suggest that the world is any closer to a solution of the problem of giving productive work to its people in peacetime.

* * *

From this analysis there emerges a pattern of working assumptions as to the course economic developments in the post-war period will take. First, we should have a brief but possibly sharp reconversion recession. Then, we should enter a period of very active business while shortages are being made up, new markets exploited, inventories rebuilt and initial foreign demands satisfied. Then, unless we restore vitality to private business, we cannot avoid a relapse into bleak depression. We do not have to have such a depression. With the money and banking situation as strong as it is, with so much in the way of technological progress to be translated into a higher standard of living for our people, with abundant natural resources, with the most skilled labor in the world, with a business organization capable of spectacular accomplishment, there is simply no sense in having another dreary decade of depression. But that is what we shall have unless we restore to our economy the driving force for expansion which was present prior to the decade of the thirties. Until we have more basis than we have now for assuming that this essential element in prosperity will be revitalized prudence dictates that we be cautious in drawing plans for expansion beyond the early post-war years.

As a practical matter, what factors shall we look for to provide an indication as to whether the post-war boom is to be followed by depression or prosperity?

1

Revived Investment. There is little likelihood that we can have durable prosperity unless the investment mechanism is functioning more productively than it has for a long while. Industry must be investing in new and improved capacity funds obtained via the new capital markets from the people's savings. The statistical signal that this is happening will be a large volume of *new money* securities issued by business and bought by the people and their savings institutions. Not all of our savings need be absorbed in this fashion for some of them can well go into new housing, but *we need an active investment market if we are to have durable prosperity.*

2

A balanced budget. The second factor essential to prosperity is the assurance which would come from the demonstrated capacity to put our Government expenditures in balance with tax income. If our economy becomes dependent on the steady use of the stimulant of Government deficit expenditures, it can only collapse when the stimulant is finally withdrawn—as it must be in time. And, *if in the early post-war boom large scale public expenditures are necessary, then who can look hopefully to the period when the deferred demands of the war period will have been satisfied?*

3

Absence of Inflation. Another factor which may provide an indication as to what is to be the sequel to the post-war boom is the condition of the real estate, security and commodity markets. If prices in any of these markets rise sharply or substantially, we may as well expect a severe reaction which can carry us into another deep depression.

4

Reduced Taxes. One of the measures of the inner strength of the private enterprise system after the war is likely to be the level of corporation taxes. Let there be no mistake about it, business cannot for long continue at prosperous levels with taxes at anything like the levels which now prevail. Business may look good, despite high taxes, in the period when the deferred demands are being met, but unless the crushing load of initiative inhibiting taxation is removed, business investment in new capacity and new jobs will be constricted.

5

Removal of Labor Restrictions on Production. Our hopes that business will expand vigorously are not likely to be realized if labor organizations use their virtually unlimited powers to halt operations at the strategic bottlenecks of the productive process. Either that power must be limited or labor organizations must become the working partner of business. Business cannot prosper and employ people in an environment of strife between labor and management.

6

Full Employment. A final factor which may give us an indication as to how long the post-war prosperity boom is likely to last is unemployment. If, when business is making up the wartime shortages offsetting the deferred maintenance and depreciation of the war years, rebuilding inventories, and supplying early post-war needs of foreign countries, we still have unemployment, the evidence will be conclusive that the enterprise organization is not yet freed from those restrictions which prevent it from expanding vigorously enough to maintain a high level of activity.

* * *

These are the things we must watch for an indication as to whether the early post-war years are to usher in a long period of prosperity, jobs, and a higher standard of living, or to be but a prelude to another protracted depression. In setting our business course we dare not assume without more evidence than we have at present that the obstructions which held business and, therefore, employment, at a depressingly low level for a full decade before the war will be removed.

That is, it seems to me, the only practical working assumption, but we must remember that the answers to these questions are not always to be found through economic analysis. Perhaps in appraising the outlook we ought to give more weight to the inherent common sense of the American people. To be sure, our people seemed in the thirties to have lost their faith in themselves, in their institutions and in their industry. But have they? Are they not merely subject to the fears and discouragements and bewilderment that any people would experience after a decade of doles instead of jobs. They seemed to believe that saving was bad, that business was bad, that work was bad, that their freedoms were not worth fighting for. Have we not seen signs of a revival of some of the old fashioned virtues? Saving is popular again. People are conscious of their freedoms. Everyone knows that business is producing the goods that are enabling us to be winning this war. The people have had some very unpleasant experiences with economic controls which are the inevitable concomitant of planning.

If we had to depend on the economic planners or the social idealists to get us out of the rut of economic stagnation, we probably wouldn't do it. But our universities have been turning out—fortunately for us—thousands of engineers and business administrators with the result that our production people have the research point of view deeply ingrained in their behavior. It is of immense significance that our business concerns spend many millions of dollars on research; and when our laboratories are turning out so much in the way of new goods and new and cheaper ways of doing things, our people may not for long tolerate a set of policies which have the result, if not the intent, of restraining or obstructing production.

While the evidence suggests that we lay our business plans with caution, there is also some basis for hope, for the war may prove to be the spark which will rekindle a faith in the destiny of this country which will enable us to build a new structure of durable prosperity.

United Corp. Interesting

H. Hentz & Co., Hanover Square, New York 4, N. Y., members of the New York Stock Exchange and other leading national exchanges, have prepared a study of the proposed exchange offer of United Corporation. H. Hentz recommends that those interested in assuming the more conservative procedure make the exchange; those who are willing to speculate on the future possibilities of the remaining utility assets in the portfolio of United Corporation should not make the change. Copies of the study discussing the situation in some detail may be had from H. Hentz & Co. upon request.

Poor & Co. Attractive

Link, Gorman & Co., Incorporated, 208 South La Salle Street, have an interesting analysis of the current situation in Poor & Co. Class A stock. Copies of this study may be had from the firm upon request.

More Commentaries on the Peace-time Military Conscription Issue

(Continued from first page)

CARDINAL DOUGHERTY

Archbishop of Philadelphia

Compulsory military training in peacetime in the U. S. A., if such a change in our American system is brought about, will be a windfall for military officials and a catastrophe to taxpayers. It will be the ruin of our young men.

Cardinal Dougherty

REV. JOHN HAYNES HOLMES

The Community Church of New York

I am unutterably opposed to peacetime military conscription. Is it possible that we are losing the war, or are expecting to lose the peace, that we should thus impose upon this country the military bondage from which I thought we were fighting to liberate the world? If Germany and Japan are defeated and disarmed in this war, as we all expect, then where lies the enemy against whom we must thus arm ourselves to the teeth? Is it possible that our Government anticipates that we must prepare for a next war against one of our present allies?

John Haynes Holmes

Would Imperil Our Democracy

Peacetime military conscription, universal conscription of any kind, is an institution basic not to democracy but to the militaristic nations and governments which have brought our world to the very brink of destruction. It is doubtful if our democracy could survive the imposition of this totalitarian system of arms. Our business, in this war and after, is to fight militarism to the limit, that we may destroy it utterly, and thus truly prepare the way to peace.

It is an abominable thing that this proposal should be made for the post-war world. It is unutterably abominable that it should be offered for adoption now while the war is still on, when our boys are absent at the front, and when no one of us knows what are to be the terms of peace. It is a matter of simple decency and of basic democratic practice that we should postpone all consideration of this matter until after the war.

FRED H. MASON

President, Mason, Moran & Co., Chicago, Ill.

I am against compulsory military training in peacetime for America. I do say, however, General Marshall's ideas, of which you no doubt are familiar, are alright.

B. G. HUNTINGTON

President, The Huntington Natioal Bank, Columbus 16, Ohio

Herewith are my views on "Compulsory Military Training in Peacetime for America":

Isn't it a question of sane use of the power to conscript? Compulsory military training looks attractive now during the war, but will the mothers and the young men, and the fathers and and the young girls stand for it when the war is well over? Doesn't the answer probably lie in making National Guard service much more attractive, and in getting —or in insisting on having— military training in all high schools and colleges? Then that training can be effective, but not too much out of focus, and it can be carried on in the shadow, at least, of the educators and their Gothic towers.

B. G. Huntington

We are not a "militaristic" nation. God grant that we never will be. We feel we have not trained our youth sufficiently in the past for the possibility that there may be war in that youth's generation. But we don't need to take a year—or two years—or three years—out of a boy's life and education exclusively to teach him to kill his fellowman. Let him learn a few ancient humanities along with modern inhumanity.

Let's not make any law or constitutional change on the subject while we are at war. Let's wait for the witch's cauldron to cool a little first. Maybe the broth won't then be such strong medicine, but maybe we won't burn our fingers so badly.

ALVA W. PHELPS

President, The Oliver Corporation, Chicago 6, Ill.

I believe the best, and the only insurance this country can have for its security as a nation is a large, well-trained army and navy. In my opinion, the best way to accomplish this is by compulsory military training in peacetime.

Alva W. Phelps

WILLIAM G. LIGHTBOWNE

Bogota, New Jersey

It seems to me that the only honest approach to the question of compulsory military training in peacetime is to begin by asking ourselves whether there is any danger against which our country needs to be prepared. If there is not, then we should be foolish indeed to fasten upon ourselves a military system so alien to all our history and traditions. If, on the other hand, there is such danger, then we should face it realistically and allow no sentimental squeamishness to interfere with our duty. If there must be military training, the democratic way is through equality of sacrifice—let every man do his share. I have no patience with people who deplore the moral and physical hazards of militarism, but are perfectly willing to hire "volunteers" to face the dangers for them.

Twice in my lifetime the United States has been involved in a world war. Neither time did we want to participate; neither time did we enter the conflict until events forced our hand. I believe the overwhelming majority of us today realize that the modern world has shrunk to such proportions that any future war between great powers will inevitably develop into a world war, and that our country, facing on two oceans and with vital interests in both hemispheres, is bound to become involved.

In both the First and the Second World War we were fortunate in that many months elapsed after the beginning of hostilities before we were drawn in, which gave us time to prepare. But there is no guarantee that we shall be so fortunate another time. Therefore, assuming the possibility of future wars, we have no honorable alternative except to be prepared. A modern army cannot be improvised, nor can civilians be turned into soldiers overnight. We have no right to send our boys into battle inadequately trained, nor have we the right to expect our future allies to hold the line for us while we prepare at leisure.

So the first question is as to the probable danger of future wars. For my part, I think the danger is very real unless within the next few years we succeed in setting up an international organization to settle disputes between nations peaceably and to restrain aggressors. This should be our first and greatest effort if we wish to avoid the pitfalls of militarism. But even then, after our unfortunate experience with the first League of Nations, it may be years before the world will trust the new organization to the extent of being willing to disarm. In the meantime, the larger nations, at least, will probably insist upon keeping up their own armed forces, and we shall have to do likewise.

Some form of compulsory military training is therefore probably inevitable, and we shall have to accept both the inconveniences and the dangers that will accompany it. The form it is to take and the length of service required are matters for experts to decide, but as long as we follow democratic procedures, and keep the military subservient to the civil power, we have little to fear. Switzerland has had universal military training for hundreds of years, yet remains perhaps the most democratic country in the world.

One aspect of this question interests me particularly, and holds the possibility of much good. That is the matter of physical fitness. Physical fitness goes far beyond mere physical training; it involves such factors as diet, medical care and education in hygiene. Six months or a year of military training might help in establishing proper living habits and personal discipline, but if the young recruit has been underfed or improperly fed during the critical years of childhood; or if, through lack of proper medical and dental care he has suffered irreparable damage to his physique, no amount of military training will make him an efficient soldier.

Millions of recruits called to the colors in this war had to be rejected for physical deficiencies that should have been prevented by proper care in childhood. Other thousands were rejected because of venereal disease and, most disgraceful of all, for illiteracy! These are all problems that can be solved if we tackle them in the right spirit. They are an indictment of our civilization. Too bad we had to wait for a war to make us conscious of them, but now that the draft law has dragged them out into the light, we should clean up these sore spots for the honor and safety of our beloved country.

HON. WALTER EDGE

Governor, State of New Jersey

I am in favor of a short period of compulsory military training in peacetime and believe that much of our unpreparedness in the present war might have been averted if this course had been followed after the last war.

Gov. Walter Edge

RAY LYMAN WILBUR

Chancellor, Stanford University, California

I am very much opposed to compulsory military service in peacetime. Throughout our history in this country we have had a unique and enormous advantage in not having all our young men spend one or more years in uniform and drill at the behest of the Federal Government, and at the expense of the taxpayer. This free period has enabled our young men to get ahead in educational development, in advancing themselves in their chosen enterprises, and in many other ways We have been fortunate, too, in having the home, instead of the Army, play a large part in the developmental and educational program of our boys. We can easily lose this war even if we win it if, as a result, we end up with a highly centralized government, with our men and perhaps our women in uniform. This is one of the most effective ways to destroy the family as a unit, and every thinking person knows that the family and the way it conducts its affairs determines the future of our civilization.

Ray Lyman Wilbur

Imperialism Threat

The presence of a conscripted army in this country would be a direct bid toward imperialism. It will be difficult enough to avoid elaborate world responsibilities after the war. We already have sufficient devices for training our men in our ROTC, with our State Guards and with our regular standing army—particularly now that a comparatively few good airplanes handled through a good organization can do much to prevent war.

VIRGINIA C. GILDERSLEEVE

Dean, Barnard College, Columbia University, New York 27, N. Y.

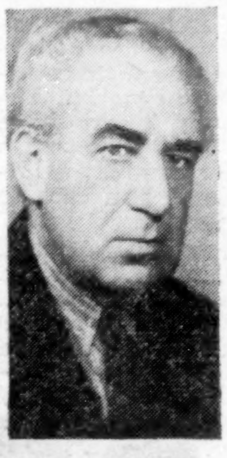
There is, of course, a great deal of discussion going on in colleges and universities regarding compulsory military training. I have participated in some of these. My opinions are rather tentative on the whole matter, but I am inclined to think that such training should be not just military but rather for "national service," and that the year or six months' requirement might include some actual work in national service. I feel very definitely that any such requirement for the youth of our country should appiy to women as well as to men.

Dean Gildersleeve

CHANNING POLLOCK

New York 24, N. Y.

I am of two minds on "Compulsory Military Training in Peacetime for America." On one side, of course, I admit our need for preparedness, and even more, the need of our youth for discipline and training. On the other, as John T. Flynn so eloquently points out in "As We Go Marching," peacetime conscription too frequently serves as a means for reducing unemployment and creating or supporting dictatorship. Which of the two dangers is gravest I have not yet been able to decide.



Channing Pollock

HON. LYLE H. BOREN

Representative in Congress From Oklahoma

The term "compulsory" has implications in it that quite naturally arouses antagonisms in free American thought. Universal conconscription to be followed in times of peace as well as war is a practice that heretofore has belonged only to militaristic nations and has been in disfavor in the mind and heart of peace-loving peoples. On the other hand, our experiences in this decade should, I think, convince us that the American Legion advocacy of preparedness in time of peace was and is sound and a correct program even for a peace-loving nation.

Lyle H. Boren

The present bills, H. R. 1806 and H. R. 3947, that have been presented to Congress are rather inflexible demands for a one-year draft or conscription into military service for every American boy. While I personally feel that a state of national preparedness is vital in peacetime and that a universal program of military training is the most practical way to establish and maintain such a program of preparedness, I am of the opinion that the bills now proposed both have the weaknesses of being arbitrary and inadequate. It would appear to me more in keeping with the principles of American life and stronger from the standpoint of accomplishing the end in view, to build our program on the National Guard. I believe that our National Guard system expanded to universal or nearing universal proportions would be not only adequate but the best system of preparedness this country could evolve and maintain.

J. B. HILL

President, Louisville & Nashville Railroad Co., Louisville 1, Ky.

J. B. Hill

It is my judgment that compulsory military training for an intensive period of less than a year is desirable. It will prove beneficial in many ways to the majority of young men and will afford the basis for defense that might prove invaluable. Most of the people I talk to favor it.

W. L. HEMINGWAY

President, Mercantile-Commerce Bank and Trust Co., St. Louis

W. L. Hemingway

I feel that discussion and debate on the proposal for compulsory military training in peacetime should be postponed until after the war, when we can reason more clamly than now. If the subject should be forced to a decision, I would probably follow the President and General Marshall, but reluctantly.

ALEXANDER WILSON

Summit, N. J.

The "Chronicle" is to be commended for publicising the important question, "Compulsory Military Training in Peacetime for America," which is coming up for consideration in the January session of Congress.

Alexander Wilson

In my present frame of mind, I am "tooth and nail" against compulsory military training for youth in peacetime for the following reasons:

As long as I can remember, Germany has conscripted her youth in peacetime for compulsory military training with the result that the lives of her manhood and womanhood have becomes slaves to militarism.

As far as actual military preparedness is concerned, I do not see what advantage the training of both youths and adults was to Germany, Russia, Poland, Czechoslovakia, France, Belgium, Holland, Italy, and other European nations. for after hostilities began most of these nations went down like a pack of cards before the German onslaught.

England's lifesaver in World Wars I and II was not her army (small in comparison with Germany and Russia) or any prior youth training but the vast ring of steel she was able to spread around Germany and Italy, just as our best bet lies in a two-ocean navy equal to any two World Powers, and an aviation service equal to the combined force of any two Powers.

Some of your readers may argue that the oceans which separate the United States from our enemies mean nothing in these days of airplanes, robots and submarines.

To this argument, I would respectfully ask your readers to study the proposal I advanced in the article, "Peace by Force in an Uncivilized World"—an analysis and criticism of the Dumbarton League plan published in the "Chronicle," Nov. 16 issue, pages 2150 and 2151.

My proposal, in brief, urged our Allies and the Axis countries after the war, in the name of humanity and good statesmanship, "to solemnly pledge themselves to absolutely outlaw robots, submarines, indiscriminate airplane bombing of cities and other populated centers, poisonous gas and chemicals, and also the coming use of germs in warfare. Airplanes should properly be permitted for army and naval scouting but not for bombing of noncombatant men, women and children in civilian centers of population."

When everything is said and done, when the peace settlements are completed, we must not forget that the German youth who have been impregnated with Nazism from boyhood and trained in military practices will be the most menacing factor in maintaining European peace for many years to come.

The compulsory training of youth will not fortify the Dumbarton League of Nations or any other proposed world peace organization but a navy and aviation service (such as is proposed above) will be far more effective for our future protection and possible contingencies than the training of our youths and maidens for future wars.

If there is any virtue or advantage (military, physical, etc.) which the advocates of a continuous year of compulsory military training can claim, could not the training regimen be accomplished by organizing high school and college classes, from three to six, after regular school hours and utilizing Saturdays from either nine to one or one to four for such training?

The vacation period in July and August could be spent in camps where outdoor meets, sports and military exercises could be indulged in. Such an arrangement would not so completely disrupt business and education schedules or take a whole year out of our young people's lives for militaristic purposes.

Dangers to Be Avoided

If there is one thing we should guard against in this program it is, first, the creation of a military caste in our country and, second, that our young people should become war-minded or indoctrinated with military ideals and objectives.

In deference to our soldiers and sailors who are fighting abroad to win the war for us, the question of compulsory military training for their sons and their future offspring should be deferred until after their return home, when they should, in fairness, be given an opportunity to express their views.

Why rush into this matter when we have a war to win on our hands? Do we wish to repeat the mistake this country made when it continued the Liquor Prohibition Act—a war emergency measure—against the wishes of the majority after World War I was over?

Why not hold a national referendum on "Compulsory Military Training in Peacetime" which the "Chronicle" has posed for this symposium when the war hysteria is over and past?

I earnestly urge the members of Congress to defer action on this national question until after the war is won. The passage of such a law would be contrary to our long cherished national tradition and policy against universal military training in times of peace.

The one significant fact we should weigh carefully is that the world's most important democracies, the United States and Britain, will survive as victors in World War II in spite of the fact that their youth were not given any previous military training.

No one favors a second League of Nations or international cooperation after this war can consistently advocate compulsory military training in peacetime.

M. ALBERT LINTON

President, Provident Mutual Life Insurance Co. of Philadelphia

M. A. Linton

If the United States desired to make sure that the world would be transformed into an armed camp permanently, one of the surest ways to do it would be to adopt compulpulsory military training in peacetime. Such action would proclaim to the ends of the earth that we have no confidence in the ability of a security organization to prevent another catastrophe. It would cause alarm in other nations, including the countries south of us in this hemisphere, and perhaps in Canada. Nations judge each other by their acts, not by their protestations of peaceful intentions.

Let us talk plainly. In view of the position Germany and Japan will be in at the close of this war, the only possible nations who could challenge this country militarily for years to come are our allies—Great Britain and Russia. By adopting peacetime conscription we would make the people of those countries fear that in any difference of opinion with them we would use force to support our position. To insure their own safety they would take counter measures. Other nations seeing what is going on would also want to be prepared for eventualities and would build up their military establishments.

Let Those Now Serving Be Heard

Is this the kind of world for which our eleven million men are fighting all over the globe? Who has a greater stake than they in the kind of world that is to be? Why rush to decide this question while these eleven million young Americans are where they cannot participate in the decision? Great resentment was felt in the last war because prohibition was adopted by those at home when four million men were in the armed forces. How much more reprehensible to decide a question affecting so acutely the possibility of achieving a peaceful world when nearly three times four million are in the armed services risking their lives and enduring untold suffering and sacrifice to make another major war impossible.

Within the next few years no nation is going to challenge the military might of the United States as it will exist after this war. From the military point of view there is ample time to permit the men in the armed forces to return home, to appraise the security organization that will be developing, and to participate in the decision about peacetime conscription. To prevent them from so doing would in effect say to them that the American people are perfectly willing to have them die for their country, but will not trust them in determining a major policy affecting the issues for which they are fighting.

Hope of World

The hope of the world lies in setting up an international organization that will reduce the causes of war, and hence the fear of war; in lifting the crushing burden of armaments from the backs of the people of all nations; and in reducing the use of force to the status of non-aggressive police power. For this country, the most powerful of all, to start on an opposite course would be tragic beyond words.

Physical Argument Faulty

There are sound grounds supporting the position that peacetime conscription would not significantly remedy health conditions which have caused so many young men to be rejected for physical reasons in this war; that it would not be useful "discipline" or strengthen our democracy to force every young man in his late 'teens to undergo military training; that free education and free labor would be endangered by conscription, and that conscription is not the proper way to relieve unemployment. However, these grounds have been well presented by others and I shall not repeat them.

I rest the case here upon the ground that it would be utterly unfair to decide the question of peacetime conscription in the absence of millions of young Americans who have an enormous stake in the kind of world to which they will return to take up normal living and raise their families.

J. ANDERSON FITZGERALD

Dean of the School of Business Administration, University of Texas

I have never been a pacifist. I have argued for preparedness when it was an unpopular thing to do. Nevertheless, compulsory military training in the United States as now proposed does not appeal to me. I have too much confidence in the character of peace that is going to be made.

Dr. J. A. Fitzgerald

Is it necessary to adopt a plan before we know the peace arrangements? Until then we already have a great army, a great navy, and a great air force. For months after peace we shall have available great forces in process of demobilization which can be reassembled at any sign of danger.

When we know the peace arrangements, we shall also know the machinery to enforce peace. We shall know whether past aggressor nations are going to be allowed to remilitarize at any early date. We shall know the attitudes toward armament and military training of our present allies.

For years past and for months to come, some say years, our energies and the energies of most nations have been and will be devoted to making war. When these tragic days come to a close, our efforts and the efforts of all nations should be devoted to peacetime pursuits. All people should be interested in reducing military expenditures to a reasonable minimum. How low the United States can safely go will depend upon the real, not the make-believe actions of other countries.

False Security

The past teaches us to beware of feelings of false security. For quick action we shall need sizable army, naval and air forces. To supplement these, I now doubt whether compulsory military training will be either a wise or efficient method for the United States. Techniques of war, even Maginot lines, quickly become obsolete. Means of defense include resources, productive power, inventive skill, expert management, and a loyal people. Lifetime programs in home, school, church and other institutions should provide for the development of proper physical, mental and spiritual qualities.

When peace has been established and we have specific knowledge of conditions, a plan can be developed for adequate defense. In the meantime we should refrain from announcing programs that will start the world upon a peacetime military spending race.

DR. WALTER E. SPAHR

Professor of Economics, New York University; Secretary, Economists' National Committee on Monetary Policy

I have not studied the proposal regarding compulsory military training in peacetime with sufficient care to justify an opinion on the subject.

Dr. Walter E. Spahr

I find it difficult, however, to reconcile the agitation for such a program with the claims being made for the projected international peace organization and police force. Under the circumstances, some doubt necessarily arises as to the need for enforced military training in peacetime. This major inconsistency of views has precluded my giving other than casual consideration to the subject and, as previously noted, I am not as yet prepared to express myself in the matter with finality.

W. GIBSON CAREY, JR.

President, The Yale & Towne Manufacturing Co., New York City 17

It is my opinion that military training for all young men who are physically fit should be started immediately after the war.

W. Gibson Carey, Jr.

Such a program, in my opinion, will be a safeguard against another war, will be less costly than maintaining the larger military establishment which otherwise would be necessary and will, in addition, be of benefit to the participants. I am inclined to believe that the training period should be for a year; but that in order to upset the educational process as little as possible, various alternative equivalents should be arranged. Those completing the course should constitute, for a period of perhaps 10 years, a reserve, a portion of which should, on a voluntary basis, receive training from period to period on various technical phases.

A Proper Government Labor Policy

(Continued from page 2346)

a lot of framed timbers, different portions of which we know have been gotten out at different times and places and by different workmen—Stephen, Franklin, Roger, and James, for instance—and when we see these timbers joined together, and see they exactly make the frame of a house or a mill, all the tenons and mortises exactly fitting, and all the lengths and proportions of the different pieces exactly adapted to their respective places, and not a piece too many or too few,—not omitting even scaffolding,—or, if a single piece be lacking, we see the place in the frame exactly fitted and prepared yet to bring such piece in,—in such a case, we find it impossible not to believe that Stephen and Franklin and Roger and James all understood one another from the beginning, and all worked upon a common plan or draft drawn up before the first blow was struck."

Encroachment of the slave power upon the national Government was Lincoln's theme in 1858.

Encroachment of the labor power upon the national Government is our theme this morning.

Lincoln had no hesitation in suggesting that "Stephen and Franklin and Roger and James all understood one another from the beginning, and all worked upon a common plan or draft drawn up before the first blow was struck."

I shall not imitate Lincoln's boldness, and I shall make no charge of "preconcert". But like Lincoln, I shall ask your attention to "a lot of framed timbers . . . gotten out at different times and places by different workmen . . ." And like Lincoln, I shall ask you whether you think you "see these timbers joined together, and see them exactly make the frame of a house or a mill, all the tenons and mortises exactly fitting, and all the lengths and proportions of the different pieces exactly adapted to their respective places, and not a piece too many or too few," and if you see "a single piece lacking," whether you "see the place in the frame exactly fitted and prepared yet to bring such piece in."

In 1935 President Roosevelt signed the Wagner Labor Relations Act.

In 1936 labor spent $770.218 in the re-election of President Roosevelt.

In 1938 the Supreme Court held that the Norris-LaGuardia Act protects picketers, even when they are not employees, and that the Wagner Labor Relations Act authorizes the Board to make any "inference" from any evidence, even though such "inference" is contrary to the weight of evidence.

Though this left an employer subject to punishment under the Wagner Labor Relations Act, when there was any evidence from which the Board might "infer" that some utterance of the employer "interfered" with unionizing activities, the Supreme Court in 1940 held that picketers may publicize any statements whatsoever against an employer, and that their right to picket and to publicize is the freedom of speech guaranteed by the First Amendment of the Constitution, and cannot be abridged by Congress or by any State Legislature.

In 1940 the Supreme Court disregarded thirty years' precedents, and held that labor was for the most part immune from the anti-trust acts.

In 1941 the Supreme Court inferred in favor of labor a substantial repeal of the antitrust acts, spelling this extraordinary inference out of two other statutes of strictly limited scope and purpose.

In 1942 the Supreme Court held that sums extorted from truck drivers, under threats of assault and battery, should be regarded as "wages by a bona fide employer to a bona fide employee", and that "interference" with such extortion would be "interference with traditional labor union activities".

In 1942 the National War Labor Board began to require "maintenance of membership clauses" in labor contracts.

In 1943 the National War Labor Board's powers were confirmed by Congress in the War Labor Disputes Act.

"Maintenance of membership clauses" may now be precedents on which labor will rely in demanding similar clauses in peacetime labor contracts, and may hasten the enactment of statutes making such clauses universally compulsory.

When Montgomery Ward in 1942 refused to include these clauses in its labor contract, President Roosevelt addressed this communication to the company:

"As Commander-in-Chief in time of war, I direct Montgomery Ward and Company to comply without further delay with the National War Labor Board's directive order of November 5, 1942."

But in 1944 when James Petrillo and his American Federation of Musicians refused to comply with the National War Labor Board's directive orders, President Roosevelt addressed this communication to Mr. Petrillo:

"The National War Labor Board and the Director of Economic Stabilization have not recommended Government possession and operation. Under the statute it must be found that the labor dispute unduly impedes the war effort. It is the opinion of the Director of Economic Stabilization that under all the present circumstances the non-compliance by your union is not unduly impeding the war effort . . . Therefore, in the interest of orderly government and in the interest of respecting the considered decision of the board, I request your union to accept the directive orders of the National War Labor Board."

It is not surprising that Mr. Petrillo and his American Federation of Musicians declined to comply.

In 1944, up to August 15, contributions from the Amalgamated Clothing Workers of America and other members of the Congress of Industrial Organizations to its Political Action Committee aggregated $806,715.

This brings us to the strange history of the National War Labor Board.

Relying solely on the President's powers under the Constitution, and with no act of Congress or legislative warrant of any kind, President Roosevelt by Executive order of March 19, 1941, created the National Defense Mediation Board for the purpose of mediating, settling, and disposing of disputes certified to the Board by the Secretary of Labor, which threatened to "hinder or obstruct the production or transportation of material essential to national defense."

To this Board President Roosevelt appointed two labor members proposed by the American Federation of Labor and two labor members proposed by the Congress of Industrial Organizations, and four public members and four industry members who were entirely President Roosevelt's own selection.

Each of these four public members was strongly prolabor, and each of these four employer members was more labor-minded than any national organization of employers, so that as selected by President Roosevelt this Board was strongly prolabor, and contained no one proposed by or representing any organization of employers, and no one in any way affiliated with any employer coming before this Board, while the labor members of this Board were all union officials affiliated with either the American Federation of Labor or the Congress of Industrial Organizations, with one or another of which was then affiliated practically every employee coming before this Board.

To get a controversy certified to this National Defense Mediation Board it was allowable, and even essential, under the Executive order creating this Board, for a labor union to carry a controversy to the point of threatening to interfere with the national defense.

This would suffice to change even an impartial board from an adjudicating to an appeasement agency, and to this strongly prolabor Board it inevitably imparted the spirit of a pressure agency, exerting all the force of the nation on the brink of war to induce employers to yield whatever was needed in order to dissuade employees, especially those affiliated with the American Federation of Labor or the Congress of Industrial Organizations, from instigating strikes and boycotts that might interfere with the national defense.

This Board continued to function in this manner until John L. Lewis, then affiliated with the Congress of Industrial Organizations, demanded for his United Mine Workers the exclusive right to work in coal mines operated by the steel companies.

When his demand was denied by this Board, Mr. Lewis broke up this Board by forcing the resignations therefrom of all the labor members who were direct representatives and officials of the Congress of Industrial Organizations.

Immediately after this National Defense Mediation Board broke up, President Roosevelt selected from industry and the public several men to confer with union officials representing the American Federation of Labor and the Congress of Industrial Organizations in the effort to agree on the basis for a new board.

Though the United States was then in the Second World War, this conference failed to agree because the labor members of the conference, unlike their predecessors in the World War I, were unwilling that labor should agree to refrain during wartime from raising controversies about union status, and were immovable in their insistence that throughout the World War II labor should be permitted to raise controversies on union status or any other labor matter, and to carry these controversies to the point of threatening to interfere with the war effort.

Though the conference deadlocked sharply on this fundamental issue, President Roosevelt chose nevertheless to ignore this disagreement, and announced blandly that on the agreement of the conference he was creating by Executive Order of January 12, 1942, a new board, namely the National War Labor Board, to finally determine all labor disputes, which might interrupt work which contributes to the effective prosecution of the war.

To this new National War Labor Board President Roosevelt appointed half the membership of its predecessor, the National Defense Mediation Board, so that like its predecessor the National War Labor Board consists of two labor members proposed by the American Federation of Labor and two labor members proposed by the Congress of Industrial Organizations, and four public members and four industry members who are entirely President Roosevelt's own selection.

In the National War Labor Board, as in its predecessor, there are four strongly prolabor public members, and four employer members who are more labor-minded than any national organization of employers, so that as selected by the President the National War Labor Board is strongly prolabor, and contains no one proposed by any organization of employers, and no one in any way affiliated with any employer coming before the Board, while the members of the Board are all union officials affiliated with either the American Federation of Labor or the Congress of Industrial Organizations, with one or another of which is affiliated almost every employee coming before the Board.

Under the Executive Order creating the National War Labor Board, in order to get a controversy certified to the Board, it is allowable, and even essential, for a labor union to carry the controversy to the point of threatening to interfere with the war effort. Against this force, even an impartial Board could not function as an adjudicating agency, but could only act as an appeasement agency.

Succumbing to this force, therefore, the National War Labor Board, like its predecessor the National Defense Mediation Board, has become a strongly prolabor pressure agency, exerting all the force of the nation at war to induce employers to yield whatever is needed in order to dissuade employees, especially those affiliated with the American Federation of Labor or the Congress of Industrial Organizations, from instigating strikes or boycotts that may interfere with the war effort.

This account of the National War Labor Board and its predecessor the National Defense Mediation Board is supported by statements of William H. Davis, Chairman of both Boards, and statements of other sympathetic observers of these Boards.

Chairman Davis emphasizes that in any procedure based on collective bargaining, mediation, voluntary arbitration or agreement, the dominating factor must be the economic strength of the disputants.

"In normal times," says Chairman Davis, "the economic strength that lies behind the right to strike or lock-out is by all odds the most effective single agency for settling labor troubles. This is particularly true of the more serious disputes. The possibility of a strike always colors the normal processes of collective bargaining. It is the common experience of mediators that the parties to most labor disputes, and particularly the more important ones, are brought to agreement in the end by considerations of the possibilities and the costs of a strike or lock-out. After full discussions which have not broken the deadlock, when the alternatives are clearly spread upon the table and the choice has finally to be made, it is then—in the last fifteen minutes—that the parties really have to face these possibilities and costs. And it is then, under pressure of economic facts, that the final adjustment is commonly reached."

Dr. Lloyd G. Reynolds, associate professor of political economy, Johns Hopkins University, and State Price Executive for Maryland for the Office of Price Administration; and Charles C. Killingsworth, instructor of political economy at Johns Hopkins University, referring to the National War Labor Board's decisions say:

"The Board has carefully refrained from stating the conditions under which a union security clause will be awarded, on the ground that each case must be considered on its merits; and the Board often modifies the security clause to suit the circumstances of a particular case. Therefore one does not get very far by looking to Board decisions for general criteria. Decisions awarding maintenance of membership have stressed the threat to the union's existence from the employer or from rival unions, the prevalance of union-shop agreements in the industry or area involved, the extent to which the union constitution safeguards members against arbitrary action by officers, and similar factors. But these seem to be rationalizations rather than reasons for action."

"Satisfying dynamic labor groups and their virile leaders" is the summation of the whole matter by Professor Herman Feldman, formerly Dean, School of Business and Civic Administration, College of the City of New York, and now professor of industrial relations, Amos Tuck School of Business Administration, Dartmouth College.

Both the National War Labor Board and its predecessor the National Defense Mediation Board have each been called boards, and have each been sedulous to imitate much of the form and language of the decisions of peacetime adjudicating administrative agencies like the National Labor Relations Board, the Federal Trade Commission, the Securities and Exchange Commission, and many other peacetime adjudicating administrative agencies.

But the resemblance is only superficial, for all these peacetime adjudicating administrative agencies arrive at their decisions by weighing and adjudicating the legal or at least the moral rights involved in the disputes coming before them, while the National War Labor Board and its predecessor the National Defense Mediation Board, though rendering decisions that in form and language appear to weigh and adjudicate legal and moral rights, have in fact been chiefly influenced by the economic strength of the disputants before them, and thus have really been appeasement, not adjudicating agencies, exerting all the force of the nation at war to induce employers to yield whatever is needed in order to dissuade employees, especially those affiliated with the American Federation of Labor or the Congress of Industrial Organizations, from instigating strikes and boycotts that may interfere with the war effort.

Appeasement can never be a long-run national policy.

Appeasement of the slave power in Lincoln's day led to the Dred Scott decision in 1857 and the Civil War in 1861.

Appeasement of Fascism in our own day led to Munich in 1938, and World War II in 1939, and Pearl Harbor in 1941.

Whither is our present appeasement of the labor power carrying us?

When some group within the nation becomes dissatisfied with some phase of our national policy, our normal course is to talk it out, and arrive at some adjustment on the basis of equal patriotism and mutual forbearance for all Americans.

But when we have negligently permitted some group within the nation to gain the power and nourish the inclination to strangle our national life until this group gets what it wants, we must expect to pay the penalty of our negligence.

Since we then can no longer reach any adjustment on the basis of equal patriotism and mutual forbearance, we must instead appease that group, by offering it whatever rearrangements may be needed in order to satisfy it.

Equal patriotism and mutual forbearance having ceased to be a basis on which any appeal can be addressed to this group, it follows that these rearrangements must be strictly along lines dictated by this group—like the Munich settlement with Hitler in 1938, and the John L. Lewis settlements in 1943—and must be extensive enough to procure the satisfaction and acceptance of this group.

Combinations to raise costs and prices and charge them to the public used to be considered monopolistic.

If such combinations have also the power to strangle our national life, the odium of their offense should far outrun the odium of monopoly.

But today, when labor raises costs and prices and charges them to the public, and then threatens to strangle our national life if it is not permitted to do so, we call it "the democratic way of doing things"!

Being an appeasement, not an adjudicating agency, the National War Labor Board has never at any time had anything to hold on to, and its course of decision has therefore been haphazard, floundering, slippery, and ineffectual, like the frantic struggles of a man sliding down the roof of a barn.

In Congressional committee hearings Chairman Davis of the National War Labor Board has emphasized two points:

The first is that the Board never wants a court test of its asserted jurisdiction and decisions.

In the Gypsum case and in the earlier Montgomery Ward case, the Board avoided a court test by pleading that its orders were only advisory.

In the later Montgomery Ward suit, which the Government itself had instituted, the Government frustrated a court test by surrendering to Ward possession of its property several hours before the court could render its decision.

"What Makes Sammy Run?" was a widely read novel several years ago.

"What Makes Uncle Sam Run?" may now be appropriately asked of the National War Labor Board.

The second point emphasized by Chairman Davis is that the Board's perpetual problem is to keep on inventing new contrivances—"maintenance of membership clause", seizure of plants by the Army and Navy, and what have you—in order to appease labor and induce it to continue work in munition plants in wartime.

Equal patriotism and mutual forbearance—principles on which eleven million Americans in uniform and millions of other men and women in all branches of American life are now spending their health, their fortunes and their lives in all-out war effort—are not assets in the National War Labor Board's balance sheets as Chairman Davis presents it in Congressional committee hearings.

"Quid pro quo" is his favorite phrase, and the current "quid pro quo" is "maintenance of membership clauses".

These were first discussed in the National War Labor Board in February 1942 in an inter-office memo by Roger D. Lapham, an industry member of that Board and its predecessor the National Defense Mediation Board.

Speaking for the industry members of the National War Labor Board, Mr. Lapham said:

"We are a group of men—some meeting each other for the first time: representing different viewpoints, different sections of the country, different industries and with different degrees of training in employer-employee relations.

"Per contra, remember how thoroughly labor is organized and, no wonder, since the interests of labor are the sole objectives of labor representatives. There may be inter-union feuds, but when it comes to advocating or opposing matters affecting anything important to labor, all factions, American Federation of Labor, Congress of Industrial Organizations, or what not, instinctively unite."

"Will anyone deny this statement or charge exaggeration", continued Mr Lapham, "when we say that for the past nine years we have had a labor-minded Government—with all three branches more partial to labor than to industry?"

"A few months ago," Mr. Lapham went on, "a powerful labor leader defied the administration in a way that shocked all thinking citizens and, by such defiance, got what he demanded. Had any 'captain of industry' acted as John L. Lewis did, some way would have been found to jail him for contempt and the country would have applauded. This is mentioned only to emphasize how strong a political influence labor wields. Today, the President, has a group of six labor leaders (three American Federation of Labor and three Congress of Industrial Organizations) consulting and advising with him on matters of vital importance to industry as well as to labor (and incidentally, not primarily, to the entire country). But, it is worth noting, that there is no similar group acting in like capacity for business."

Coming to the "maintenance of membership" issue, Mr. Lapham said:

"On one side—the emphatic and vociferous statements of union leaders that they must have union-shop provisions in all labor contracts. They demand this Board rule, whether management agrees or not, that every man must join a union to hold a national defense job. . . . On the other side, we have those employers who haven't any closed shop, union shop, or other form of union security contracts loudly insisting that they will not give a union any more than they are obliged to under the Wagner Act. . . . So here we have two extreme positions."

At this point Mr. Lapham embraced the philosophy of appeasement, and outlined several proposals for "maintenance of membership clauses", and concluded:

"What then should be industry's course of action?

"Why not try this out and say to the War Labor Board (and that means the public), 'We want to forget the past and start afresh. We want to ease our conscience of any charge that we are not doing and will not do what we can to bring about maximum production. . . . We believe the rapid growth of unions in this country, fostered in a political way, has caused plenty of trouble for industry and has interfered with and restricted production to the detriment of the consumer. But we admit there have been, are, and will be chiselers in all walks of life and that unions, if we are willing to see far enough, will not only police industry chiseling, but will give the rank and file better protection against unfair treatment.'

Every appeaser tries to attach conditions to his appeasement, and Mr Lapham was no exception:

"We would like to know," said he, "whether union leadership, such as is represented on the labor side of the War Labor Board, would undertake to cooperate with management and, perhaps, with the assistance of the War Labor Board itself, ask Congress for certain legislation such as—

"Registration of unions, national and local.

"Filing of union constitutions and by-laws.

"Filing of audited, sworn statements of receipts and expenditures. We think this is a reasonable request because no one can deny that racketeering exists here and there, and that unions are sometimes dominated by a minority, whether for personal or political reasons. We recognize that, while it may be up to union members to run their unions and impose their own self-discipline, in practice this is far from easy and, therefore, we ask that responsible labor leaders join with us in telling Congress to impose some moderate legislation requiring unions to live in glass houses.

"If we could have such assurances we would be glad to have the War Labor Board say to us: 'Sign a contract in which your men can voluntarily obligate themselves to union membership and we will do our best, from the Chairman of the board down to the most junior foreman, to play ball with the union and go to bat to win this war in the shortest time possible.'"

These conditions, which Mr. Lapham in his memo to the National War Labor Board in 1942 attached to his proposed "maintenance of membership clauses," were short-lived.

Free from any such conditions, "maintenance of membership clauses" were granted by the Board several weeks after Mr. Lapham's memo.

Dissenting from the rest of the Board, in April, 1944, the industry members of the Board said:

"We condemn the majority proposed policy on union maintenance because, in our opinion, its application contemplates widespread undemocratic restriction of the rights of workers and of employers; because it would spread more or less indiscriminately in industry a device unproved as an aid to production; and because it would constitute a potent threat to harmonious industrial relations so necessary now and in the postwar period."

"More specifically," continued these industry members, "we dissent because:

"1. It is contrary to the principles of democratic government for this, or any other governmental agency, to make union membership a condition of employment.

"2. After more than two years of contention by the majority that union maintenance helps production, we are offered no demonstration but, on the contrary, find in many cases that the reverse has, unfortunately, been true.

"3. So-called 'union maintenance,' now to be a Board policy, has permitted the use of a worker's money, dues and assessments for political purposes contrary to the worker's personal choice and ideals.

"4. It is an affront to the patriotism of American workers for an agency of this Government to offer material reward for a no-strike pledge in time of war.

"5. Union discipline, whether made possible by a union shop or by union maintenance, can be and has been used to halt production and to force action by the Government, including this Board. The majority policy contains no provision against repetition.

"6. The majority policy, even if otherwise unobjectionable, is no guarantee of alert and responsible union leadership.

"7. We believe that the National Board's action in this case will result in a loss of prestige and of stabilizing influence among all Regional War Labor Boards.

"8. The Board, in effect, is legislating and thereby undertaking what is the function solely of Congress.

"9. The Board's proposed policy tends inevitably toward a labor monopoly."

"Even if we admitted," said these industry members, "the majority's contention that union maintenance makes for strong and disciplined unions and, therefore, makes for greater production, we would have to point out that in many instances the very strength and the discipline have resulted, not in increased production, but on the contrary, in strikes, stoppages, authorized and unauthorized, and generally in the use of the strength and the discipline to exert pressure not only upon the employer but upon the War Labor Board and the Government in general.

"A glaring illustration of the use by a union of its strength and discipline is the protracted strikes of coal miners in the summer and fall of 1943, strikes which undoubtedly retarded the war effort because of the loss of production, and which caused widespread suffering through the winter among the civilian population. This is an illustration of the use of strength and discipline, not for production as the majority maintain, but to stop production to enforce a selfish demand.

"Another illustration is the widespread strikes throughout the steel industry in December, 1943. It is significant to recall that these strikes occurred among the membership of the union regarding which the majority opinion states: 'Stability for this union is a contribution to winning the war not only because, technologically, it involves steel as the metal most essential to mechanized war, but also because, democratically, it involves the right of the steel workers to self organization in a free and secure union, which is basic to the structure of American freedom.'

"As a result of the Board's decision in July, 1942, union maintenance was granted to steel workers in practically every case that came before the Board, granted because of the contention of the majority that union maintenance contributed to production. But in December, 1943, we find the President of the United States intervening in an attempt to persuade the same steel workers to return to work and speed production for the war, just as he had found it necessary to address radio and other appeals to the coal miners.

"The statistics on strikes and stoppages of work in this country during the period of war fail to demonstrate that so-called union discipline, either by way of the union shop or the Board's maintenance of membership, can be relied upon to increase production by preventing strikes or unauthorized stoppages. The now famous Brewster case is just one more illustration of the fact that union security, here a union shop, can be used to impede production for the purpose of enforcing union demands."

"By the imposition of union maintenance," continued these industry members "the Board assures the continued revenue of the union through union dues. We know of no private organization in the United States, even a charitable organization, however meritorious, whose income has been so guaranteed by governmental order.

"It would certainly be a strange contradiction of democracy to have a worker's funds used to promote a candidate or a political platform to which the worker himself is opposed. Yet this can be one of the effects of the Board's form of union maintenance whenever union funds, accumulated through dues and assessments, are used for political purposes.

"The policy now announced by the majority cannot be in the ultimate interest of labor. This policy, if it is to be a national policy, should be made so by Congress and not by an administrative agency, and should be coupled with regulation also provided by Congress. Otherwise the policy of the Board will tend to a monopoly of labor, a monopoly for which Americans will demand regulation. Indications of such a public attitude are already apparent. This Board will do labor as a whole the best service by not swinging the pendulum too far."

In these criticisms of "maintenance of membership clauses," all the industry members of the National War Labor Board joined in April, 1944.

The first step toward a proper Government labor policy is to get rid of the Government's present appeasement complex.

This is a man-size job, but equal patriotism and mutual forbearance for all Americans are principles that are native in American labor, just as they are native in every other branch of American life.

If American labor has temporarily forgotten them, it is only because good national manners, like good personal manners, are habits that can be learned, and forgotten, and re-learned.

When this appeasement complex is deleted from our present Government labor policy, American labor will quickly disown any inclination to strangle our American national life, and will be willing, like all other Americans, to talk over all questions and disputes, and to arrive at an adjustment on the basis of equal patriotism and mutual forbearance for all Americans.

Hugh W. Long & Co. to Offer 2 New Tr. Issues

Two new issues sponsored by Hugh W. Long & Co., 48 Wall St., New York City, will make their appearance on Dec. 1, 1944, at an initial offering price of $12.23 per share. These issues—Diversified Investment Fund, and Diversified Speculative Shares, are series of the special stock of New York Stocks, Inc.

Diversified Investment Fund, designed for generous income, is introduced in an unusual brochure, the cover of which contains a series of charts illustrating why generous investment income today requires intensive and diligent search. Diversified Investment Fund represents an investment in 44 different securities. Nine bonds, 17 preferred stocks, and 18 common stocks are approved for initial purchases. Industrial diversification covers 20 different kinds of businesses. The issues selected have been tested for special qualities which generally result in generous income. These qualities are outlined in detail in the folder.

Diversified Speculative Shares is designed to employ capital to produce more capital through logical planning for profits. More than 40 issues have been selected by experienced research management for their profit possibilities. In choosing this list, specific qualities were required of the individual selections. The folder describing this investment company lists six such qualities, any one of which can serve as a basis for a rise in price. Management objectives are outlined in the brochure, which emphasizes the premise that diversification reduces risks and broadens the opportunity for profits.

Commenting on the place of speculation in an investment portfolio today, the brochure states, "Numerous investors have always been willing to accept the greater risk, in order to try to increase their investment capital. Today, many others are attracted to the same policy, in an effort to combat rising living costs, higher taxes, and reduced investment income. There is a further incentive for pointing investment policy toward capital gains, now that income taxes on long-term capital gains are half or even less than half those applicable to ordinary income."

Copies of literature describing Diversified Investment Fund and Diversified Speculative Shares may be obtained from Hugh W. Long & Co. upon request.

Funds sponsored by Hugh W. Long & Co. are Manhattan Bond Fund, Inc., Fundamental Investors, Inc., and New York Stocks, Inc. These investment companies have aggregate assets of more than $40,000,000.

Situation Interesting

Fred W. Fairman & Co., 208 South La Salle St., Chicago, Ill., members of the Chicago Stock Exchange, have late statistical data on Columbus Venetian Stevens which they will be glad to send upon request.

Text of SEC's Decision in "5% Mark-Up" Case

(Continued from page 2348)

at a gross spread or mark-up over the current market of not over 3%, and 71% at not over 5%. The letter set forth an interpretation of Section 1 of Article III of the NASD's Rules of Fair Practice,[1] and stated that the Association's District Business Conduct Committees had been instructed to enforce that provision, so interpreted, having in mind the percentage charged in 71% of the transactions studied. On Nov. 9, 1943, the Chairman of the Board of Governors and the Executive Director of the NASD sent a letter, a copy of which appears in Appendix B of this opinion, to the District Business Conduct Committees elaborating upon the letter of Oct. 25.

On Feb. 9, 1944, the New York Security Dealers Association (an informal association composed of some of the NASD's New York members) informed us by letter that its members considered the effect of the Board of Governor's letter of Oct. 25 to be the adoption of a rule limiting spreads or mark-ups to 5%, and requested that we direct the NASD to submit the matter to its membership for a vote as required by its by-laws, or in the alternative that we set down the matter for hearing at which a member of the New York Association could present its views. On May 31, 1944, William S. Baren, Baron G. Helbig and Benjamin S. Lichtenstein, petitioners designating themselves as representatives of a "Securities Dealers Committee,"[2] filed a petition alleging that the aforesaid letters of Oct. 25 and Nov. 9 constituted a rule, that the alleged rule was illegal because it had not been submitted to the membership for a vote, and because it had not been approved by this Commission pursuant to Section 15A (j).[3] The petition also alleged that the NASD's action was illegal on other grounds, including unconstitutionality of the alleged rule and of Section 15A of the Act. It requested us to hold a public hearing and to issue an order cancelling and revoking the alleged rule and declaring it to be a nullity.

On June 1, 1944, we ordered that a hearing be held upon the question whether the aforesaid letters of Oct. 25 and Nov. 9, 1943, constitute a rule or rules, and if so, whether we should take any action pursuant to Section 15A (k) of the Securities Exchange Act of 1934 as amended.[4] Thereafter the petitioners asked that a trial examiner be appointed to take testimony and that a hearing be held in New York or, in the alternative, that they be given an opportunity to file briefs within ten days after the hearing. Being of the opinion that there was no occasion for taking testimony we denied the request for a trial examiner and limited the hearing to briefs and oral argument. Oral argument was presented on behalf of the New York Security Dealers Association, the petitioners, and S. C. Parker and Co., Inc. Briefs were filed by petitioners, S. C. Parker and Co., Inc., and the NASD.

The Issues

The petitioners and others before us contend that the Board, by characterizing its policy statement as something other than a "rule," seeks to accomplish by indirection what it could not do directly. They claim that if the proposal were duly submitted to a vote of the NASD membership it would be defeated by a wide margin, and they repeatedly suggest that the Board has sought to evade the jurisdiction of this Commission over the alleged "rule." They also attack the Board's action on its merits and on the ground that the Act is unconstitutional.

The primary question for our decision is whether the Board's letters of Oct. 25 and Nov. 9 impose on the membership a rule or something having the practical force and effect of a rule. If our decision on this point is in the affirmative, we must conclude that the policy stated in such letters is null and void, since it was not submitted to the membership for approval as required by the NASD's by-laws, and was not submitted to us as required by Section 15A (j).[5]

Organization of the NASD

To understand the nature of the Board's action it will be helpful to consider in broad outline the framework of the Act and the NASD in relation to it, as well as the functions of the Board of Governors, the District Business Conduct Committees, and this Commission in the promulgation and enforcement of the NASD's rules.

The act as originally passed in 1934 dealt with the over-the-counter markets in very general terms. Among other things it provided in Section 15 that no broker or dealer might use the mails or any means or instrumentality of interstate commerce to make a market for the purchase and sale of a security otherwise than on a national securities exchange, or use any facility of such market, "in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest and to insure to investors protection comparable to that provided by and under authority of the title in the case of national securities exchanges."

We issued rules from time to time to implement this provision, and in the light of experience gained in administering the Act we filed reports with Congress recommending further legislation. Thus, in 1936, our rules regarding the registration and trading practices of over-the-counter brokers and dealers were submitted to Congress and Section 15, by amendment, was made more specific in the light of those rules and the evidence as to how they operated;[6] and in 1938 further amendment of the Act gave recognition to the great volume of trading over the counter, the great number of brokers and dealers engaged therein, and the complexity and variety of the problems involved, by providing (among other things) for the voluntary registration of associations of brokers and dealers which would adopt and administer their own rules and regulations in conformity with the statute and under governmental supervision.[7]

The NASD is such an association, having become duly registered in 1939 pursuant to application filed with this Commission.[8] Its purposes and functions are prescribed generally in Section 15A of the Act itself, which provides in pertinent part:

> "(b) An applicant association shall not be registered as a national securities association unless it appears to the Commission that—
>
> * * *
>
> "(5) the rules of the association assure a fair representation of its members in the adoption of any rule of the association or amendment thereto, the selection of its officers and directors, and in all other phases of the administration of its affairs;
>
> * * *
>
> "(7) the rules of the association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to provide safeguards against unreasonable profits or unreasonable rates of commissions or other charges, and in general, to protect investors and the public interest, and to remove impediments to and perfect the mechanism of a free and open market; and are not designed to permit unfair discrimination between customers or issuers, or brokers or dealers, to fix minimum profits, to impose any schedule of prices, or to impose any schedule or fix minimum rates of commissions, allowances, discounts, or other charges;
>
> "(8) the rules of the association provide that its members shall be appropriately disciplined, by expulsion, suspension, fine, censure, or any other fitting penalty, for any violation of its rules;
>
> "(9) the rules of the association provide a fair and orderly procedure with respect to the disciplining of members and the denial of membership to any broker or dealer seeking membership therein. In any proceeding to determine whether any member shall be disciplined, such rules shall require that specific charges be brought; that such member shall be notified of, and be given an opportunity to defend against, such charges; that a record shall be kept; and that the determination shall include (A) a statement setting forth any act or practice in which such member may be found to have engaged, or which such member may be found to have omitted, (B) a statement setting forth the specific rule or rules of the association of which any such act or practice, or omission to act, is deemed to be in violation, (C) a statement whether the acts or practices prohibited by such rule or rules, or the omission of any act required thereby, are deemed to constitute conduct inconsistent with just and equitable principles of trade, and (D) a statement setting forth the penalty imposed. . . ."

We have quoted earlier in this opinion the statutory provisions for Commission review of the NASD's rules. The Act provides also for our review of cases where the association has taken disciplinary action against a member Section 15A, subsections (g) and (h),[9] and for judicial review of our orders (Section 25(a)).

The NASD is a membership corporation formed under the laws of Delaware for the purpose, among other things, of promoting high standards of commercial honor in the securities business, just and equitable principles of trade for the protection of investors, and self-discipline among members.

The certificate of incorporation entrusts the management of the corporation to the Board of Governors and provides for delegation of its powers, subject to the provisions of the by-laws. Under the by-laws the twenty-one members of the Board of Governors are elected by and from among the members doing business within the fourteen geographical districts into which the organization is divided.[10] Each governor holds office for a term of three years "and until his successor is elected and qualified, or until his death, resignation or removal."[11]

In general the Board is given the duties and necessary powers to manage and administer the affairs of the corporation and to promote its "welfare, objects and purposes." More specifically it is empowered to adopt, for submission to and approval by the membership, by-laws and rules and regulations; and it is also empowered to "make such interpretations, issue such orders and directions, and make such decisions as it deems necessary or appropriate. . . ."[12]

Among the rules and regulations to be adopted by the Board for submission to and approval by the membership are the Rules of Fair Practice, and the by-laws place upon the Board the duty of enforcing and administering such rules.[13] In connection with such enforcement and administration the Board is given the following express power:

> "(a) To make and issue interpretations of all [such] rules of fair practice. . . .
>
> "(b) To prescribe such procedure for the presentation, hearing and adjudication of complaints between or against members . . . as it deems appropriate; provided, however, that in any such procedure District Business Conduct Committees shall have original jurisdiction in the hearing of all complaints, whether filed by a District Business Conduct Committee or other person, and that the Board of Governors shall act as an appellate body;" and
>
> "(c) To prescribe maximum penalties, including censure, fines, suspension or expulsion from membership . . . for violation by a member of . . . the rules of fair practice . . . provided, however, that no member shall be disciplined unless and until the requirements of Section 4 of this Article are met."[14]

Section 4 sets up basic requirements governing notice, hearings and determinations in trade practice cases, which requirements are implemented by the association's Code of Procedure for Handling Trade Practice Complaints. The Code of Procedure may be altered by a majority vote of the Board of Governors unless such action is disapproved by us "as provided in Section 15A" of the Act.[15]

Complaints in trade practice cases may be filed by any person "feeling aggrieved by any act, practice or omission of any members,"[16] or by any District Business Conduct Committee which, on information and belief, is of the opinion that any act, practice or omission of a member violates the Rules of Fair Practice.[17] The committee's determination, if disciplinary action is taken, must include statements setting forth the member's act, practice or omission, and the specific rule or rules deemed to have been violated; whether the act or practices prohibited by such rule or rules, or the omission of any act required thereby, are deemed to constitute conduct inconsistent with just and equitable principles of trade; and the penalty imposed.[18] Any determination by a District Business Conduct Committee is subject to review by the Board of Governors, either on its own motion or on appeal, and upon such review the Board may take additional evidence and redetermine the case as it may deem appropriate.[19] As we have stated above, disciplinary action taken within the NASD is subject to our review, and our determination is subject to judicial review.

In this setting we turn to a consideration of the letters, which are set forth in full in Appendices A and B.

The Nature of the Board's Action

The Board's action as revealed by the letter of Oct. 25 endeavored to render an "interpretation" of a rule of fair practice and to set forth a workable guide to aid the District Business Conduct Committees to enforce that rule as interpreted, "having in mind the percentage of profit on which 71% of the transactions above referred to were effected. . . ." It is clear that, in connection with its duty to administer and enforce the Rules of Fair Practice, the Board of Governors has the power to "make and issue interpretations of" such rules without the approval of the NASD membership. The question is whether the purported interpretation, in the words of the letter of Oct. 25, "does no more than express what must be clearly implied in the rule itself," or whether it has the effect of adding some duty or standard not otherwise contained in the rules. For convenience the rule and the so-called interpretations are set out in juxtaposition below:

Section 1 of Article III, Rules of Fair Practice:

> "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

Interpretation by Board of Governors:

> "It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

The objections to this purport to be based not on any desire to charge unreasonable prices, but upon a fear that members will be unable to charge for research work and the like if their prices to customers must be related solely to current prices in the dealers' market. The contention is that a new standard is established by the "interpretation." But the question whether or not a specified price is "reasonably" related to current market will depend on the circumstances of the particular case, and this principle has already been codified by the NASD in its Rules of Fair Practice, Article III, Section 4, as follows:

> "In 'over-the-counter' transactions, whether in 'listed' or 'unlisted' securities, if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and, and the fact that he is entitled to a profit; and if he acts as agent for his customer in any such transaction, he shall not charge his customer more than a fair commission or service charge taking into consideration all relevant circumstances including market conditions with respect to such security at the time of the transactions, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and the market therefor."

We, moreover, have consistently held that fair dealing with customers imports the charging of prices reasonably related to the current market, in the absence of adequate disclosure to the customer as to material facts regarding the state of the market, and our holding has been sustained upon judicial review.[20]

We think it clear that the Board of Governors established no new standard by the above interpretation which merely calls the attention of the membership to the problem of fair pricing in connection with Section 1, Article III of the Rules of Fair Practice. However, the letters of Oct. 25 and Nov. 9 go on to state the Board's "philosophy" as to what criteria should be used in determining whether or not a given price bears a "reasonable" relation to the current market. The question is presented whether the criteria or philosophy thus set forth constitute a rule or have the practical force and effect of a rule governing the conduct of members.

The 5% figure is not designated in the letters as an established maximum spread. A member taking a greater spread might or might not be held to have violated a Rule of Fair Practice, but he could not properly be disciplined on the ground that he had violated a 5% limitation "rule." There is no such rule, and we do not think the letters in question purport to impose one. This is clear from the following language in the letter of Oct. 25:

> "The Board has the strongest possible conviction that it would be impracticable and unwise, if

not impossible, to write a rule which would attempt to define specifically what constitutes a fair spread or fair profit, or to say, in exact percentage or dollars, what would result, in each and every transaction, in a price to the customer which bears a reasonable relationship to the current market. It does believe, however, that each member is entitled to know what is the practice of the membership, as indicated by the analysis of the questionnaires, and that the District Business Conduct Committees have been instructed to enforce Section 1 of Article III of the Rules of Fair Practice as above interpreted, having in mind the percentage of profit on which 71% of the transactions above referred to were effected. In the case of certain low-priced securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5% or even a lower rate is by no means always justified."

Moreover, the following statement is contained in the letter of Nov. 9 from the Chairman of the Board of Governors and the Executive Director to the District Business Conduct Committees:

> "The elements which have entered into disposition of business conduct cases by District bodies in the past are not in any way affected. The price to the customer in any given transaction will still be considered in the light of all relevant circumstances and particularly these elements:—the percentage of mark-up over cost or over the representative market whichever controls; whether the security is a bond or stock with an active or inactive market; the price range, whether low, medium, or high and the amount of money involved. The question of amount of money involved is particularly relevant to application of the Board's views in respect to percentage of spread or mark-up on securities selling below $10."

The Board of Governors denies that the objective of the letters was to limit all spreads to 5%. In a letter dated June 6, 1944, from the Chairman of the Board of Governors in answer to an inquiry by the Chairman of District Committee 13[21] whether the Committee was correct in understanding the Board's policy—

> "as constituting a desirable objective or yardstick to be considered by the District Business Conduct Committee in applying the Rules of Fair Practice in the light of the circumstances surrounding the particular transaction under examination."—

the Chairman of the Board replied as follows:

> ". . . you are correct in your understanding that the policy announced by the Board in its letter of Oct. 25, and the subsequent letter of Nov. 9, 1943, is not a rule, but should be considered by District Business Conduct Committees as a desirable objective or yardstick, neither more nor less, and be employed by them in the light of the circumstances surrounding each transaction which may be the subject of examination or review under the Rules of Fair Practice."

The main basis of petitioners' apprehension that the policy announced in the letters foreshadows a practice of limiting mark-ups over current market prices to 5% is the following two paragraphs in the letter of Nov 9 to the District Business Conduct Committees:

> "The general import of this statement and the construction that should be placed upon it is that when transactions show a mark-up of over 5% on the part of a member, it raises the question as to whether there is a violation of the Rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred.
>
> * * *
>
> "In the final analysis, the Business Conduct Committee must be impelled to act where a member sells securities at a price which bears no reasonable relationship to the current market. Isolated transactions, where the spread or mark-up is in excess of 5%, may warrant only informal inquiry or a precautionary letter but where *practice* is established, formal complaint procedure is the recommended course."

It is argued that the Board's action purports to require the local committees to file complaints where more than 5% spreads are taken as a matter of practice, and purports to shift the burden of proof in such a case from the local committee to the accused member. Concededly, the announcement of the 5% figure as the basis of the Board of Governors' spread philosophy touches upon the following three aspects of disciplinary proceedings:

(1) The circumstances under which the local committees are advised to institute proceedings;

(2) The burden of furnishing an explanation of prices questioned in such proceedings; and

(3) The decision as to what spreads or mark-ups are to be deemed violations of just and equitable principles of trade.

The Institution of Proceedings

As we have already noted, there are two procedures provided in the rules for the institution of trade practice complaints, both prescribed in Article IV of the Rules of Fair Practice: Section 2 contemplates the filing of formal complaints by any person "feeling aggrieved by any act, practice or omission of any member;" Section 3 provides for the filing of such complaints by any District Business Conduct Committee. Nothing is said to indicate whether the Board of Governors may or may not file such a complaint on its own motion, but whether it could do so or not in a specific case, plainly it has no authority to direct such action in the abstract. Thus, even if its language had been in terms of command rather than the "recommended course," the Board's action would not have the force or effect of a rule. The institution of formal proceedings against members is a local matter, and the committees are free to apply their own judgment for determining when to bring disciplinary proceedings.

We do not interpret the Board's letters to read otherwise. They specifically state that all other factors are to be considered in determining when to bring proceedings. As we interpret the Board's action, it constitutes not a rule but notice to the membership of what the current trade practice is found to be and of what procedure the Board advises the committees to follow in trade practice cases. It is not our function under the Act to attempt to control the advice given by the Board of Governors to the committees with respect to the institution of disciplinary proceedings. The giving of such advice is within the Board's general power and duty to enforce the Rules of Fair Practice and to promote the association's "welfare, objects and purposes."[22]

Burden of Proof

Under this heading falls the statement, contained in the letter of Nov. 9, to the effect that when transactions show a mark-up of over 5% on the part of a member, "a duty is imposed upon the member to show to the satisfaction of the District Business Conduct Committee that no violation has occurred." This statement purports to be an explanation of statements contained in the letter of Oct. 25.

To speak of formal burdens of proof in the context of a disciplinary proceeding held before a committee of the NASD may appear somewhat over-technical, since the proceeding is heard by the accused member's fellow businessmen who are supposed to bring their knowledge of trade practices to bear upon the case, and make their determination in the light of their experience as technicians in the securities markets rather than as lay jurors or legalistic judges. Nevertheless, we think a substantial question of justice and fair dealing is raised by this part of the correspondence.

If the above statement in the letter of Nov. 9 is taken literally, it means that in any trade practice case mark-ups of over 5% are presumptively violative of Section 1 of Article III of the Rules of Fair Practice, and the burden is on the accused member to furnish evidence which will "show to the satisfaction of" the committee "that no violation has occurred." In other words, the complainant would only have to show mark-ups of more than 5% over current market to establish a *prima facie* case against a member, at which point the member has the burden of introducing evidence that will persuade the committee that such transactions, in the light of all the circumstances, were consistent with just and equitable principles of trade.

In our opinion, such an interpretation is inconsistent with the purport of the letters of Oct. 25, 1943, and June 6, 1944, as well as with statements in the letter of Nov. 9 itself, which expressly recognize that pertinent circumstances other than the percentage of mark-up must be taken into account and that a reasonable mark-up may sometimes be less and sometimes more than 5%. We therefore think the statement on this point in the letter of Nov. 9 is erroneous, and believe that, if a trade practice case were decided on the basis of the presumption stated, it would be our duty to set aside the determination upon review. But this means only that the officers responsible for the letter of Nov. 9 were in error in their interpretation of the Board's letter of Oct. 25. The letter of Nov. 9 was not distributed among NASD members but was sent to the various District Business Conduct Committees, over the signatures of the Board's Chairman and the Association's Executive Director. The Board, it will be noted, does not appear to have authorized or voted upon the statement in question.

Our conclusion on this point is that there is at present no rule on which we may act. However, it may be appropriate for the Board or its officers to notify the District Business Conduct Committees that mark-ups in each case are to be viewed in the light of all pertinent circumstances, that no presumption of a violation arises solely on the basis of a spread in excess of 5% and that no accused member has a burden of proving his innocence merely because his spreads have exceeded that percentage. Determinations by the committees and by the Board on review must be based on a consideration of all the pertinent factors, of which the percentage of mark-up is only one.

Decisional Policy

The third aspect of the letters is that they set forth a flexible criterion to be used in determining what prices, inclusive of spreads or mark-ups, bear a "reasonable relationship" to current market. As we have already noted, the percentage of spread or mark-up is only one of the factors pertinent to such a determination. Others include consideration of the dollar amounts involved, market conditions in the particular security, the relationship between the member and his customer, and any unusual circumstances incident to the particular transaction. The Board also recognizes that the Association is "devoted to the principle that its members are entitled to make a profit," as stated in the letter of Oct. 25. The same principle is embodied in Section 4, Article III of the Rules of Fair Practice.

The Board emphasizes that "it would be impracticable and unwise, if not impossible, to write a rule which would attempt to define specifically what constitutes a fair spread or profit, or to say, in exact percentage or dollars, what would result, in each and every transaction, in a price to the customer which bears a reasonable relationship to the current market."[23] What the Board did was to serve notice on the membership that Section 1 of Article III of the Rules of Fair Practice would be enforced "having in mind the percentage of profit on which 71% of the transactions above referred to were effected."

We have pointed out above that trade practice cases within the NASD are heard by the accused member's fellow businessmen who are supposed to approach each case as experienced members of the trade, familiar with its problems and practices. In this setting it appears eminently proper that investigations of fact, conducted by the Association to determine what the practices of the membership are in particular respects, should be reported to the members and considered in the application and enforcement of standards of conduct.

True, the Board was under no duty to notify the membership of its decisional policies. It could take up trade practice cases one by one and in rendering its decisions inform the members of what they might expect by way of pricing policies. Often the case by case method of making policy is necessary. Sometimes, on the other hand, advance notice can be given. The Board here determined that giving advance notice was the fairer method, and we see no reason for criticising its determination or doubting its good faith.

The giving of such notice does not establish a rule. The only rules that can be held to have been violated by a member in such cases are duly constituted rules of the Association, such as the Rules of Fair Practice, as interpreted and applied by the committees and the Board.

We do not now pass upon the merits of the proposed interpretation or policy to be applied, for this may be done only upon review of an individual trade practice case where the pertinent facts are in evidence and the issue is whether, upon the whole record, the acts or practices complained of are inconsistent with just and equitable principles of trade.[24]

Conclusion

Having examined the correspondence as it relates to the different aspects of disciplinary action, we conclude that it falls short of establishing a rule. It is still too early to judge how the Board's announced policy will be applied in specific cases. While over a year has passed since the policy was announced, no appeal from disciplinary action has been brought to us in which it was contended that the policy was used as a rule in the proceeding. We think it is only fair that the Board and officers of the Association be given credit for good faith with respect to their statements in the letters and in their brief, that the announcement of the policy does not relieve the committees or the Board from examining all the facts, and that the policy is by no means an inflexible limitation on spreads.

It appears that most of the fears expressed by the petitioners that the policy will have the effect of a rule are based on a lack of understanding of the powers and limitations on the powers of the Board of Governors and committees under the by-laws and the Act itself. The procedures in the Act, in our opinion, offer adequate safeguards against the use of the policy as a rigid limitation on spreads. We are satisfied that the Board's action here was well within the sphere of interpretation, and under the circumstances the ultimate insurance against the dangers feared by the petitioners is the right to appeal from decisions of the Association to this Commission and to the courts. The contentions they present here are premature.

We conclude, therefore, that the policies announced in the letters of Oct. 25 and Nov. 9, 1943, do not comprise a rule and do not and cannot have the effect of a rule, and that no action under Section 15A (k) of the Act should be taken. An appropriate order will issue.

By the Commission (Chairman Purcell and Commissioners Healy, Pike, O'Brien and McConnaughey)

(Signed) ORVAL L. DuBOIS
Secretary.

FOOTNOTES

[1] Section 1 of Article III provides:

> "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

[2] Only Helbig is a member of the NASD.

[3] This section provides:

> (j) Every registered securities association shall file with the Commission in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, copies of any changes in or additions to the rules of the association, and such other information and documents as the Commission may require to keep current or to supplement the registration statement and documents filed pursuant to subsection (a). Any change in or addition to the rules of a registered securities association shall take effect upon the thirtieth day after the filing of a copy thereof with the Commission, or upon such earlier date as the Commission may determine. unless the Commission shall enter an order disapproving such change or addition; and the Commission shall enter such an order unless such change or addition appears to the Commission to be consistent with the requirements of subsection (b) and subsection (d)."

[4] Section 15A (k) (1) provides as follows:

> "The Commission is authorized by order to abrogate any rule of a registered securities association, if after appropriate notice and opportunity for hearing, it appears to the Commission that such abrogation is necessary or appropriate to assure fair dealing by the members of such association, to assure a fair representation of its members in the administration of its affairs or otherwise to protect investors or effectuate the purposes of this title."

[5] We do not here consider the petitioners' argument that Section 15A is unconstitutional, having consistently held that such a question may not properly be decided by an administrative tribunal. See e.g.: *Engineers Public Service Company*, ——— *SEC* ——— (1942), Holding Company Act Release No. 3796, affirmed on this point (but reversed on other grounds) in *Engineers Public Service Co.* v. *SEC*, 138 F. (2d) 936, 951-953 (App. D.C., 1943, certiorari granted 88 L. Ed. (adv. ops.) 1179, June 5, 1944); *Houston Natural Gas Corp.*, 3 SEC 664 (1938); *Watson & Co.*, 5 SEC 1122 (1939); *J. A. Sisto & Co.*, 7 SEC 647 (1940).

[6] Public, No. 621, Sen. Rep. No. 1739 and H. R. Rep. No. 2901, 74th Cong. (1936).

[7] Public, No. 719, 75th Cong. (1938), popularly known as the "Maloney Amendment." And see Sen. Rep. No. 1455, 75th Cong., the report of Senator Maloney from the Committee on Banking and Currency.

[8] *National Association of Securities Dealers, Inc.*, 5 SEC 627 (1939).

[9] These provisions are as follows:

> "(g) If any registered securities association (whether national or affiliated) shall take any disciplinary action against any member thereof, or shall deny admission to any broker or dealer seeking membership therein, such action shall be subject to review by the Commission, on its own motion, or upon application by any person aggrieved thereby filed within 60 days after such action has been taken or within such longer period as the Commission may determine. Application to the Commission for review, or the institution of review by the Commission on its own motion, shall operate as a stay of such action until an order is issued upon such review pursuant to subsection (h).
>
> "(h) (1) In a proceeding to review disciplinary action taken by a registered securities association against a member thereof, if the Commission, after appropriate notice and opportunity for hearing, upon consideration of the record before the association and

(Continued on page 2368)

Text of SEC's Decision in "5% Mark-Up" Case

(Continued from page 2367)

such other evidence as it may deem relevant, shall (A) find that such member has engaged in such acts or practices, or has omitted such act, as the association has found him to have engaged in or omitted, and (B) shall determine that such acts or practices, or omission to act, are in violation of such rules of the association as have been designated in the determination of the association, the Commission shall by order dismiss the proceeding, unless it appears to the Commission that such action should be modified in accordance with paragraph (2) of this subsection. The Commission shall likewise determine whether the acts or practices prohibited, or the omission of any act required, by any such rule constitute conduct inconsistent with just and equitable principles of trade, and shall so declare. If it appears to the Commission that the evidence does not warrant the finding required in clause (A) or if the Commission shall determine that such acts or practices as are found to have been engaged in are not prohibited by the designated rule or rules of the association, or that such act as is found to have been omitted is not required by such designated rule or rules, the Commission shall by order set aside the action of the association.

"(2) If, after appropriate notice and opportunity for hearing, the Commission finds that any penalty imposed upon a member is excessive or oppressive, having due regard to the public interest, the Commission shall by order cancel, reduce, or require the remission of such penalty. . . ."

[10] Each district is represented by at least one member of the Board, the three most populous districts being represented by from two to five members. See Article IV.

[11] Article IV, Section 4.

[12] Article IV, Section 2.

[13] Article VII, Sections 1 and 2.

[14] By-Laws, Article VII, Section 3.

[15] By-Laws, Article VII; Code of Procedure, Section 26.

[16] Rules of Fair Practice, Article IV, Section 2.

[17] Rules of Fair Practice, Article IV, Section 3.

[18] Compare Section 15A (b) (9) of the Act, quoted above; By-laws, Article VII, Section 4; Code of Procedure, Section 11.

[19] Code of Procedure, Sections 14, 15 and 16.

[20] *Charles Hughes & Company, Inc.*, —— SEC —— (1943), Securities Exchange Act Release No. 3464, aff'd 139 F. (2d) 434 (C.C.A. 2, 1943), cert. denied —— U. S. ——, 88 L. Ed. (adv. op.) 570 (1944).

[21] District 13 of the NASD comprises the states of New York, New Jersey and Connecticut.

[22] By-laws, Article IV, Section 1.

[23] Indeed, such a rule would appear to be inconsistent with Section 15A (b) (7) of the Act which prohibits registration of an association unless it appears to the Commission that its rules "are not designed . . . to impose any schedule of prices, or to impose any schedule . . . of commissions, allowances, discounts or other charges." See also the Committee Report on this section:

". . . Thus, to provide safeguards against unreasonable profits, it is contemplated that associations may adopt rules designed to prevent each member thereof from exacting in any particular transaction a profit which reasonable men would agree was unconscionable in the light of all the concrete facts and circumstances of that transaction; but an association, whether in a bona fide attempt to prevent or under the pretext of preventing unreasonable profits, *may not impose any schedule of prices or commissions.*" (Sen. Rep. No. 1455, 75th Cong., 3rd Sess., p. 7, emphasis added.)

[24] Cf. *Sherman Gleason and Company*, —— SEC —— (1944), Securities Exchange Act Release No. 3550.

UNITED STATES OF AMERICA

Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission,
held at its office in the City of Philadelphia, Pa.,
on the 25th day of November, A. D., 1944.

In the Matter of
The Rules of the
NATIONAL ASSOCIATION OF SECURITIES
DEALERS, INC.
File No. 16-1
(Securities Exchange Act of 1934—
Section 15A)

ORDER

A petition having been filed requesting the Commission to issue an order cancelling and revoking an alleged rule or rules of the National Association of Securities Dealers, Inc., a national securities association registered under Section 15A of the Securities Exchange Act of 1934;

The Commission having undertaken to consider whether a certain "interpretation" of a Rule of Fair Practice and a so-called "5% spread philosophy," announced by the Board of Governors of said Association, constituted a rule or rules, and, if so, what action the Commission should take with respect thereto under Section 15A (k) of the Act;

A hearing having been held after appropriate notice, and the Commission having this day issued its opinion herein;

On the basis of said opinion, it is

ORDERED, that no action under Section 15A (k) be taken.

By the Commission.

(Signed) ORVAL L. DuBOIS
Secretary

APPENDIX A

**National Association of Securities
Dealers, Inc.
Philadelphia 3, Pa.**

IMPORTANT!

Officers - Partners - Proprietors

**To Members of the
National Association of Securities
Dealers, Inc.:**

This Association was created under an Act of Congress passed in 1938. The title of the legislation reads: "AN ACT—

"To provide for the establishment of a mechanism of regulation among over-the-counter brokers and dealers operating in interstate and foreign commerce or through the mails, to prevent acts and practices inconsistent with just and equitable principles of trade, and for other purposes."

The first Board of Governors and the fourteen District Committees were organized in January, 1940. Thus, the Board and the District Committees, in conjunction with the staff, have had nearly four years' experience in administering the affairs of the Association under the terms of the legislation. The opportunity afforded to observe the functions of the over-the-counter industry as a unit and to deal with its problems would have been impossible without the authority vested in the Association by Congress.

It has been plain for some time that the major problem confronting the members and the Association involved the question of what constitutes a fair profit or spread on transactions with the public investor which are not made as part of a public offering or an underwriting. To obtain more concrete facts and to enable the Board of Governors to solve this problem on the basis of known rather than presumed conditions, it was decided in January of this year that examination of members in 1943 would be confined to a study of practices with respect to spreads. This examination took the form of a questionnaire, in which members were asked to supply pertinent information on 50 consecutive principal transactions with customers, excluding certain types of transactions.

The Board has now completed its study of the facts revealed by questionnaires filed by 82 per cent of the membership. The study reveals that the preponderant portion of transactions reported to the Association were effected at a reasonable spread and, to a very large extent, at a margin which, in the judgment of the Board of Governors, would be considered modest by any fair test.

The Board of Governors believes that, in the light of its experience over the past four years, and with the record before it of the practices of the industry as shown by the study of questionnaires so far examined, the time has arrived when it can express its philosophy on what constitutes a fair spread or profit. In this connection, the Board has particularly, but not exclusively, in mind transactions effected as principal where the dealer has no commitment in the security bought or sold prior to the time the customer's order is received. Transactions with the public during the period of initial distribution in securities registered under the Securities Act of 1933, since they are made at the public offering price; those approved by an agency of the Government, such as the Interstate Commerce Commission; and so-called "secondary" and "special" offerings were naturally excluded from our consideration of this question and the interpretation which follows.

The Board wishes to refer to Section 1 of Article III of the Rules of Fair Practice which states:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Board of Governors has approved the following interpretation of the meaning of that rule:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

This interpretation does no more than express what must be clearly implied in the rule itself. The interpretation is made, however, in order to emphasize the obligation which is assumed by every member of this Association in every transaction with a customer. For the further guidance of members of the Association and of District Business Conduct Committees whose duty it is to enforce the Rules, the Board wishes to point out that, of the computable transactions reported in the questionnaires, 47 per cent were effected at a gross spread or mark-up over the current market of not over 3 per cent, and 71 per cent at not over 5 per cent.

These transactions varied widely with respect to price, dollar amount, type of security and degree of market activity, and included both listed and unlisted securities, with the latter, however, in substantial majority.

The Board has the strongest possible conviction that it would be impracticable and unwise, if not impossible, to write a rule which would attempt to define specifically what constitutes a fair spread or fair profit, or to say, in exact percentage or dollars, what would result, in each and every transaction, in a price to the customer which bears a reasonable relationship to the current market. It does believe, however, that each member is entitled to know what is the practice of the membership, as indicated by the analysis of the questionnaires, and that the District Business Conduct Committees have been instructed to enforce Section 1 of Article III of the Rules of Fair Practice as above interpreted, having in mind the percentage of profit on which 71 per cent of the transactions above referred to were effected. In the case of certain low-priced securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5 per cent or even a lower rate is by no means always justified. The Board has instructed District Business Conduct Committees to be particularly critical of the spreads in transactions where a member purchases or sells a security for his own account on a securities exchange and effects the other side of the transaction with his customer on a principal basis.

This Association is devoted to the principle that its members are entitled to make a profit; and, if acting as an agent, to charge a fair commission or service charge. The Board of Governors believes that, in many instances, profits realized by an impressive number of our members are low in relation to their cost of doing business and the service rendered their clients. It is convinced that the price to the customer must be reasonably related to the current market price of the security, where the transaction is consummated on a principal basis. Where consummated on an agency basis, the commission charged the customer must not be unfair and should not exceed the amount which, were the member to act as a principal, would be in accord with the standards of practice discussed above.

Finally, the Board is convinced that, if every member of this Association deals with the public on the basis of this principle and is guided by the practices which are satisfactorily serving the best interests of a large majority of the membership and the business at large, the question of fair profit or spread will disappear as a problem. The immediate and long-term effect will be beneficial, both from the standpoint of our relations with the public and the character, volume and profits of the over-the-counter business.

Very truly yours,
For the Board of Governors,
HENRY G. RITER, 3RD,
Chairman.

October 25, 1943.

Note: *Additional copies of this letter may be obtained from the Executive Office in Philadelphia.*

APPENDIX B

Letterhead of National Association of Securities Dealers, Inc.

November 9, 1943.

(Name of Addressee)

In a letter dated October 25 from the Board of Governors, the membership was informed of the philosophy or policy of the Board on what constitutes a fair profit or spread. The letter said that District Business Conduct Committees have been instructed to enforce Rules of Fair Practice in keeping with the standards developed therein.

It is presumed that every member of a Business Conduct Committee is familiar with the contents of that letter. It should not be necessary, therefore, to refer herein to passages other than those which bear directly on the work of the Business Conduct Committees.

Certain questions are immediately raised:

What is the effective date for enforcement of the standards set forth in the letter of October 25? What is its effect upon pending complaints — complaints upon which decisions have not been rendered? What is its effect upon policies to be pursued by Business Conduct Committees in consideration of transactions of a date prior to the letter?

The effective date for enforcement of the standards set forth in the letter would be the date of receipt by the member and in no event later than October 31, 1943. The standards do not apply retroactively. Therefore, pending complaints and transactions of a date prior to October 25, the date of the letter, would be considered and disposed of in line with policies of the Committee prevailing prior to that date.

From the standpoint of Business Conduct Committees, the several passages in the letter which are most significant are discussed below:

> "The Board wishes to refer to Section 1 of Article III of the Rules of Fair Practice which states:
>
> "'A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.'
>
> "The Board of Governors has approved the following interpretation of the meaning of that rule:
>
> "'It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security.'"

The term "reasonably related to the current market price" is a flexible standard. As pointed out in the letter of October 25, this interpretation no more than expresses in language what must be clearly implied in the rule itself. Disciplinary decisions involving application of this rule have consistently been based on the conclusion that the price being "unfair," it violated "just and equitable principles of trade." The interpretation, therefore, serves to implement the application of this particular rule.

Difficult factual questions may be presented in determining "current market price" in such instances as when trading may be in such small volume or so infrequent as to make it difficult to determine if a "market price" exists, and, if so, if it is "current." The size of the market on the bid and asked, the amount of the spread between the bid and asked, whether the member is the "market" for the security and, if so, whether there exists a dependable "market" independent of the member, are among the factors which will require careful consideration.

The letter of October 25 further said:

> "The Board of Governors believes that, in the light of its experience over the past four years, and with the record before it of the practices of the industry as shown by the study of questionnaires so far examined, the time has arrived when it can express its philosophy on what constitutes a fair spread or profit."

The Board in its use of "spread" and "profit" (the terms commonly employed in the business), had reference to what Business Conduct Committees describe as "mark-up" over the current market price.

The letter continued:

> "In this connection, the Board has particularly, but not exclusively, in mind transactions effected as principal where the dealer has no commitment in the security bought or sold prior to the time the customer's order is received."

and,

> "The Board has instructed District Business Conduct Committees to be particularly critical of the spreads in transactions where a member purchases or sells a security for his own account on a securities exchange and effects the other side of the transaction with his customer on a principal basis."

These passages deal specifically with two types of transactions which the Board feels deserve individual treatment and exacting scrutiny by Business Conduct Committees in the light of the standards set forth in the letter.

For the administration of Section 1 of Article III of the Rules and the interpretation given, the letter of October 25 contained the following guide:

> ". . . .District Business Conduct Committees have been instructed to enforce Section 1 of Article III of the Rules of Fair Practice as above interpreted, having in mind the percentage of profit on which 71% of the transactions above referred to were effected.
>
> "In the case of certain low-priced securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5% or even a lower rate is by no means always justified."

The general import of this statement and the construction that should be placed upon it is that, when transactions show a mark-up of over 5% on the part of a member, it raises the question as to whether there is a violation of the Rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred.

It should be borne in mind that if a representative market price exists independent of the activity of the member, there will be no violation of the Rule or of the interpretation on a bona fide inventory profit realized by the member, regardless of the amount of such profit, so long as the transaction is at a price reasonably related to the current market price of the security.

The elements which have entered into disposition of business conduct cases by District bodies in the past are not in any way affected. The price to the customer in any given transaction will still be considered in the light of all relevant circumstances and particularly these elements:—the percentage of mark-up over cost or over the representative market, whichever controls; whether the security is a bond or stock with an active or inactive market; the price range, whether low, medium, or high and the amount of money involved. The question of amount of money involved is particularly relevant to application of the Board's views in respect to percentage of spread or mark-up on securities selling below $10.

In addition, Business Conduct Committees should have in mind the following passages:

> "This Association is devoted to the principle that its members are entitled to make a profit; and, if acting as an agent, to charge a fair commission or service charge. . . . Where consummated on an agency basis, the commission charged the customer must not be unfair and should not exceed the amount which, were the member to act as a principal, would be in accord with the standards of practice discussed above."

It follows that the above may not be contravened by a combination of charges—such as a commission and service charge or a service charge alone—the aggregate or amount of which would violate the standards set forth.

As pointed out in the letter, transactions with the public during the period of initial distribution of securities registered under the Securities Act of 1933, including investment trust shares, and transactions that are consummated as a part of an underwriting or public offering of the several kinds common in the business today — these transactions were excluded from the Board's consideration in arriving at its policy and its interpretation of Section 1, Article III.

To sum up:

In the final analysis, the Business Conduct Committee must be impelled to act where a member sells securities at a price which bears no reasonable relationship to the current market. Isolated transactions, where the spread or mark-up is in excess of 5%, may warrant only informal inquiry or a precautionary letter but where *practice* is established, formal complaint procedure is the recommended course.

Consideration of practice also enters into mark-ups below 5%. The Board has established neither a minimum nor a maximum profit scale. A member whose practice it has been to handle certain types of transactions at 1, 2, 3 or 4% is not to assume that any new standards have been set permitting him to revise upward his practice on these types of transactions. The same scrutiny as has heretofore been given to mark-ups of whatever size should continue to be applied by the Business Conduct Committees, which scrutiny will be aided by Association records showing practice of the past.

Out of enforcement of the principles set forth in the letter of Oct. 25 should come that degree of uniformity in Association disciplinary procedure which has long been sought. The Board had this objective in mind when it decided to set down its views on the subject of fair prices.

Very truly yours,
(Signed) Henry G. Riter, 3rd,
Chairman.
(Signed) Wallace H. Fulton,
Exec. Dir.

SEC Renders Decision On "5% Spread"

(Continued from page 2347)

ERTY-LOVING PEOPLE ON TWO PRINCIPLES FOR WHICH THIS PAPER HAS CONSISTENTLY FOUGHT:

1. The mere size of a spread, in and of itself, creates no presumption of any impropriety, and

2. The spread taken does not shift the burden of proof in a disciplinary proceeding. Those who accuse have that burden, and not the defendant.

The opinion emphasizes that:

"The Board also recognizes that the Association is devoted to the principle that its members are entitled to make a profit."

May we point out that in its interpretation the NASD created the duty to explain spreads in excess of 5%. It did not limit such duty to cases in which a profit was realized.

Now that such "duty" has been expressly removed by the Commission we feel safe in saying that over-the-counter dealers and brokers may regard the 5% bogey as non-existent, and only such transactions may be properly criticized on which unreasonable profits have been realized, or in which there has been concealment of facts which should have been disclosed, or those characterized by fraud.

Special service and the cost of doing business again become factors in calculating profits and enter into the estimate of "high standards of commercial honor and just and equitable principles of trade."

Small dealers and brokers in the securities field have thus achieved the opportunity for their survival, a credit to their spirit, and to the fine understanding of the large investment bankers as well.

Since the Commission has emphasized the profit motif, and indicated the propriety of the NASD's advising the District Business Conduct Committees that no presumption of a violation arises out of a spread, even though it be in excess of 5%, and, further, that such spread does not of itself place upon a member the burden of proving his innocence, what remains of the "5% interpretation"? In effect, only that part which provides that prices shall be reasonably related to the current market price.

This, of course, is nothing new, and is an interpretation which the Commission attempted to apply before it was asserted by the Governors of the NASD. In that sense it was the baby of the SEC before the NASD conception.

In line with the quotations we have given, it is difficult to see what remains of the interpretation which is new and capable of enforcement.

Despite the Commission's conclusion that the interpretation is not a rule, it seems to us that the petitioners have won a signal, if not a complete, victory.

We congratulate the Securities Dealers Committee, the New York Security Dealers Association, and S. C. Parker & Co., of Buffalo, N. Y., together with Frank Dunne, William S. Baren, Baron G. Helbig and B. S. Lichtenstein, for their courageous persistence in bringing this issue to a decision. Also to be commended are Edward A. Kole and A. M. Metz, attorneys for the Securities Dealers Committee, and Frank J. Maguire, attorney for S. C. Parker & Co., who so ably handled the legal phases of the matter for those who actively opposed it.

Believing that the Commission erred in finding that the so-called interpretation is not a rule, and believing that permitting this to stand would constitute a dangerous precedent, we are hoping that an appeal will be taken.

Question Bond Price Levels

Kaiser & Co., members of the New York and San Francisco Stock Exchanges, have prepared an interesting analysis entitled "Some Reasons for Questioning the Present High Level of Municipal Bond Prices." Copies of this analysis may be had from the firm's New York office at 25 Broad St., or the San Francisco office in the Russ Building.

Holiday Bonus

BROOKLYN, N. Y.—A holiday bonus for employees of over one year's service was announced by Security Adjustment Corp., 16 Court Street. The bonus is the same as last year, and is being made earlier this year to enable employees wishing to buy extra bonds in the 6th War Loan to do so. War Loan bonds are being given direct by the Corporation to the members of the Sales Department.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 146
COMMON DIVIDEND Nos. 75 and 76

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock, of twenty five cents (25¢) per share on the Common Stock and also a year end dividend of thirty cents (30¢) per share on the Common Stock of this Company have been declared payable December 28, 1944, to holders of record at the close of business on December 8, 1944.

Transfer books will not be closed. Dividend checks will be mailed by the Bankers Trust Company on December 27, 1944.

November 28, 1944 CARL A. SUNDBERG, *Secretary*

DU PONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *November 20, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable January 25, 1945, to stockholders of record at the close of business on January 10, 1945; also $1.50 a share, as the "year-end" dividend for 1944, on the outstanding Common Stock, payable December 14, 1944, to stockholders of record at the close of business on November 27, 1944.

W. F. RASKOB, *Secretary*

A. HOLLANDER & SON, INC.

COMMON DIVIDEND

HOLLANDER DYED FURS

A dividend of 25c per share on all outstanding common stock has been declared November 27, payable December 15 to stockholders of record at the close of business on December 4, 1944.

AN EXTRA DIVIDEND of 50c per share has also been declared payable as follows to stockholders of record at the close of business on December 4: 25c payable on December 15, 1944 and 25c payable on January 4, 1945.

Checks will be mailed.

Newark, N. J. Albert J. Feldman
November 27, 1944 Secretary

Allied Chemical & Dye Corporation
61 Broadway, New York

November 28, 1944

Allied Chemical & Dye Corporation has declared quarterly dividend No. 95 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable December 20, 1944, to common stockholders of record at the close of business December 8, 1944.

W. C. KING, *Secretary*

J. I. Case Company
(Incorporated)

Racine, Wis., November 28, 1944

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable January 1, 1945, and a dividend of $1.00 per share upon the outstanding $25 par value Common Stock of this Company has been declared payable December 23, 1944, to holders of record at the close of business December 12, 1944.

THEO. JOHNSON, Secretary.

The Western Union Telegraph Co.
DIVIDEND NO. 271

A dividend of 50 cents a share on the Class A stock of this company has been declared, payable December 15, 1944, to stockholders of record at the close of business on November 24, 1944.

G. K. HUNTINGTON,
Treasurer.
November 14, 1944.

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 35

At a meeting of the Board of Directors held November 27, 1944, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable February 1, 1945, to stockholders of record at the close of business January 5, 1945. Checks will be mailed.

W. M. O'CONNOR
November 27, 1944 Secretary

Borden's

DIVIDEND No. 139

The final dividend for the year 1944 of fifty cents (50¢) per share has been declared on the capital stock of *The Borden Company*, payable December 20, 1944, to stockholders of record at the close of business December 5, 1944.

E. L. NOETZEL
November 28, 1944 *Treasurer*

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable January 1, 1945, to stockholders of record at the close of business December 9, 1944. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer*.
November 28, 1944.

THE TEXAS COMPANY

TEXACO

169th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent on par value, and an extra dividend of 50¢ per share or two per cent on par value, was declared October 27, 1944 on the shares of The Texas Company, payable respectively on January 2, 1945 and December 15, 1944, to stockholders of record as shown by the books of the company at the close of business on November 24, 1944. The stock transfer books will remain open.

L. H. LINDEMAN
Treasurer

Protecting Minority Stockholders

(Continued from page 2349)

class, particularly where by use of some legal device or by entrenchment in control, the corporate minority has been enabled to obtain and perpetuate its control. So that when on frequent occasions I use the term "minority" I do not want it to be understood as necessarily being a restrictive term but, more often than not, as meaning a "majority."

Public and Private Corporations: I want a second basis of understanding and that is, in considering the protection of the corporate minority, we are considering a public as opposed to a private corporation. Here my line of definition between the two is a practical rather than a legal one.

When a man organizes a corporation to take title to a piece of real estate so that he may avoid personal liability on the bond that accompanies the usual mortgage, or when a shop dealer puts "John Jones, Inc.," over a front entrance of his delicatessen store, or even when three or four men get together and each agrees to put up $5,000 in a business venture and organize a corporation for the purpose, that is a private or close corporation, as distinguished from, to use the other extremes, General Motors, which has some 400,000 stockholders, and various Standard Oil companies whose varied members of stockholders approximate 100,000, to use only two of the many examples that you yourselves are familiar with.

We do not have to concern ourselves here with any legal definition to distinguish between close or private corporations and public corporations. For our purpose and perhaps even for legal purposes, an adequate definition would be to consider a corporation that has its stock listed or traded in on a public stock exchange as a public corporation.

Nature of Vote: One other thing I want to discuss at the outset and that is the nature of the vote. The right of vote, of course, is the source of power and, consequently, a protection to minorities. However, it is primarily a method of determining the will of a temporary or permanent majority or of a minority, empowered by the apathy of or other restraint on a majority. Once the vote has been exercised to put a majority or a minority in power, it becomes a source of danger to unrepresented minorities unless it is restrained by some ethical concept or held in check by the provisions of written or unwritten law, the difference between the latter being, as you doubtless know, that written law is statutory law and unwriten law is the law made by judges and declared by judicial precedents.

II—Protection of Minorities —Generally

I believe in the democratic concept because, among other reasons, I believe that it furnishes the greatest measure of protection to minorities. Though the first and most natural connotation of democracy is majority rule, the use of the word suggests to me, at least, no less forcibly, an associated covenant — a duty that arises concurrently with the privilege of majority rule—of today's temporary majority to so conduct itself as to give full and adequate protection to the minority.

Under the democratic concept, the primary measure of protection for minorities, should be found in the application by the majority itself of the ethical and practical injunctions of the Golden Rule. If today's majority will realize that its greatest protection tomorrow may lie in the realization by today's majority that "Do unto others as you would have others do unto you" is safer in the long run than "Do others before they do you," then the minority has a solid base of protection against the possibility of unfair treatment by the group in control.

But ethical concepts, ethical injunctions, without immediate and recognizable sanctions are not enough in this material world. They must be translated into specific laws that carry with them specific and tangible sanctions.

So though the thoughtful conclusions of a John Locke were carried into the preambles of our various political Constitutions, they had to be supplemented by Bills of Rights and bodies of statutory law before we could expect general recognition of and adherence to the ethical principles that dictated their form and substance.

So too in the field of economics, the protection of our corporate minorities required more than a democratic law that recognized and extended these fundamentals and democratic principles.

Our existing corporate concept is based upon and extends into the economic field the democratic principle upon which our political state is based. Let me develop that thesis.

Universal Suffrage: The theory of universal suffrage gets greater practical recognition in the American corporate field than it does in the American political world. Considering for a minute the political world, we might note that universal suffrage in the minds of democratic peoples carries with it a moral connotation. In a democratic country such as ours, everybody believes he has a moral right to vote. Everybody considers it is an inalienable natural right that attaches to his status as a member of the community, however limited biologically and educationally he may be for a reasoning expression of his political will. But few people realize that Plato's theory of government contemplated that expediency determined how widespread the vote should be and that the "moral right" theory of suffrage, toward which our general thinking leans and which was made popular by Rousseau and other French philosophers, is to be rejected by today's Sociologists and, as a practical matter, in various parts of the country, is still rejected for racial, educational, economic and practical reasons, of which some are expedient and some hypocritical.

Nevertheless, as I said a moment ago, in our basic corporate concept we have no limitation on the doctrine of universal suffrage. Down South, in some communities, the Negro may not cast a political vote while, if he owns a share of stock in a corporation, his dollar vote is as effectual—or at least no more ineffectual—than that of his white neighbor who denies him his right to political expression.

On the other hand, the greater recognition of universal suffrage in our corporate structure is tied in with franker recognition of the paramount rights of capital. In our political state, each individual has a vote. In the corporate structure each dollar votes.

Will of Majority: In both our political and corporate concepts, subject to the paramount right of regulation by the State, the will of the majority rules and in the corporation, as in the State, the will of the majority outweighs other considerations even to the point of visiting the costs of the errors of judgment of the majority upon the minority. Here again, however, we find greater justice in the corporate scheme. A political majority or a minority in power may act maliciously and visit injury upon the minority and the minority has neither recourse nor reparation. In the corporate sphere, however, the majority errors of judgment must be honest. If they are selfish or wilful, the minority can recover its damages.

Restraint on Will of Majority: The rationale of our corporate law is keyed to the doctrine of rule of the majority restrained by (1) rules of statutory law; (2) the judicial rules of protection against frauds; and (3) equity rules that prohibit violation of fiduciary rights.

In our corporate world, we have the added protection I have just mentioned, i. e., the legal rules of repartion for wilful or negligent damage, that are common to all contractual relationships.

Democratic Even Though Voluntary: It must be remembered that the corporate relationship is a contractual relationship and when we realize that it is voluntarily assumed—for participation in the corporate enterprise is voluntary, while living in a community is compulsory—one must admit that the rules laid down for the corporate relationship show up well from a democratic standpoint in comparison with the political rules in our democratic community.

Analogy Political and Corporate Structures: As a matter of fact, the corporation, as originally conceived, might be said to be a microcosmic counterpart of the structure of the democratic state; it has a basic constitution — its charter — assuring universal suffrage. It has self-governing laws —its by-laws; it has an internal governing body selected by and represented by the majority—its directors and like all democratic political institutions, it derives its powers and privileges from and is subject to the restraints imposed by the will of the political majority expressed through the legal channels of the State. The majority has its rights and duties and the minority its privileges and obligations. The directors elected by the majority become fiduciaries and are charged with and act for the benefit of the members of the minority as well as for the majority. As in our political set-up, once an election is over, the elected President of the United States becomes the President of all the people, similarly, the officers elected by the directors become the agents of the corporation, and bind all its stockholders with all the disabilities and obligations that the law puts upon agents. These are the highest measures of protection our law can offer, making the majority, through their representatives, its brother's keeper. And the rule has been extended on occasions, but with reservations, that charges the majority itself with that relationship to the minority.

Corporations Historically: You must not be misled into believing that because I stress the democratic nature of our corporate structure, that the corporation is the invention of the democratic state. Corporations originated with the Romans and the Greeks. As early as the time of Solon, 600 B.C., associations were permitted for the purposes of affection, business or religion, and the Civil Law of ancient Rome made much of corporations. The fact of the matter is that corporations, being authorized by the State, partake of the aristocratic or democratic nature of the particular State, and one of our tasks today is to maintain that principle and see that our political state dominates our corporations and that our corporations, evolving from a democratic birth do not attain an aristocratic maturity. And what is of even greater importance is that we see to it that our corporations becoming the dominated instruments of an aristocratic economic minority—as in a large measure they have—do not destroy the democratic fundamentals upon which our political state is based. This, I need not say, is a real and not a fancied danger, for everyone here present, at some stage in his private conversations, has discussed and deprecated the corporative state that Mussolini promoted in the dark, modern age that is just beginning to pass in Europe, and, I need not tell you, we are presently waging a world-wide war to destroy a web of political, social and economic doctrines woven about, enforced and epitomized by the dominant corporate state.

III—Struggle Between Majority and Minority

I need not tell you that between the democratic concept and its realization lies a long and arduous struggle to maintain a balance between democratic and anti-democratic tendencies and forces. Too many of our politicians and statesmen have told us in the last few years, that democracy cannot be static for me to labor the point here. The struggle for power between political majority and political minorities, between political minorities themselves, the tendency of political majorities and minorities to abuse power and privileges once gained, are duplicated in our corporate economic world.

In law and in morals, it is axiomatic, of course, that every right carries with it a corresponding duty. The right of the minority to protection from ravage by the majority necessarily carries with it a duty by the minority not to abuse that right of protection. Here we find the ground of practical difficulty in fashioning protections for the minority. Clarence Venner became notorious two decades ago through his ability to convert legal minority protions into weapons for shaking down majorities. And today the essential stockholders' derivative suit has been too frequently employed by shrewd lawyers for similar purposes. It is difficult to forge a defensive weapon that cannot be turned to offense.

For example, the original corporate concept, as I have said, contemplated rule by a majority with certain restrictions. However, the principal early restrictions flowed from the legal notion that the corporation represented a contract between the shareholders. When the corporate charter was drawn and provided that the corporation should have a life of, let us say, 50 years, in the eyes of the law, everyone who subscribed for stock and everyone who subsequently bought stock, became a party to a contract to carry on the business of the corporation, as set forth in the charter, for that period. Consequently, the original rule was that the majority could not sell the corporate assets or a substantial part of them over the objection of even a single stockholder because such a sale, in the judicial eye, constituted a breach of the contract to continue the business for the 50-year period. Of course, that put a premium on a dissident shareholder and gave him an opportunity to hold up a majority that felt in good faith the need for making an advantageous or a necessary sale.

However, it was not until 1893, in New York, that the Legislature relieved the majority of this minority domination, by providing that holders of two-thirds of the outstanding shares could sell, regardless of the objection of the remaining one-third. The Legislature, to protect the minority, gave it the right to have the value of its stock appraised and to be paid the fair value of the stock so found so that the majority could not put through a sale to a favored purchaser at less than the fair value of the assets.

Within the scope of this talk, I cannot in this or in many other respects give in detail the ramifications and complications bred by these various statutory provisions. But it is worth pointing out that even under these appraisal statutes the protection furnished the minority in practice frequently proves inadequate. It has been held, for example, that under the California statute (Civil Code Sec. 369) which was passed in 1931, and was said to be designed to be pretty much the last word on the subject to protect both majority and minority stockholders, the minority had to take what they were offered under the terms of a merger, or the value of their stock as of the day before the merger and could not plead that the merger, which was only a formal one between corporations controlled by the same interests, had been designed fraudulently to separate them from their investment, after a period of depression and at a time when the investment was beginning to become productive. But in a talk of this scope, as opposed to an article for a legal publication, I must necessarily be dogmatic and my dogma is necessarily subject to the sharp quillets of the lawyers.

The fact remains, nevertheless, that the law, where it has been left to flow freely without personal stimulus by interested business men or lawyers, has sought to conform the corporate structure to a democratic concept, and like the race between battleship guns and armor and the modern race between air-craft and anti-aircraft defenses, the law has tried to protect the minority where abuses appeared and, in turn, has endeavored to protect the majority where in protecting the minority it has put it in a position to abuse its privileges.

IV—Directors

The keystone of the corporate concept and the fundamental of statutory protection for majority and minority alike is found in the stockholder's right to vote for directors of his own choosing and to be impartially and faithfully represented thereafter by such representative directors.

This is the very heart of the democratic corporate concept — the recognition of the right of the majority to rule and the concurrent recognition of the right of the minority, once the majority has selected directors, to have them represent not merely the majority but all the stockholders, including the minority, as their fiduciaries.

To elaborate and make this clear, let me review briefly the functions and the legal relationship of the corporation, its stockholders, its directors and its officers:

While the corporation, for some purposes of legal convenience, is deemed "an artificial being," and constitutes a legal entity entirely separate and distinct from the persons who compose it, in determining the mutual rights and relationships of its stockholders, the law also recognizes that "a private corporation is, in fact, but an association of individuals united for a lawful purpose." Thus, though it is the corporation that holds legal title to the corporate property, the stockholders are deemed the beneficial owners thereof and while "the members of a corporation can only act about the business of a corporation in their aggregate capacity, through a board of directors or trustees whom they have chosen," it is the basic province and privilege of the stockholders, "through the selection and election of directors, to control the corporate business and affairs." Thus it follows that "a corporation is somewhat like a partnership, if one were possible, conducted wholly by agents where the co-partners have power to appoint the agents. . . . The power to manage its affairs resides in the directors, who are its agents, but the power to elect directors resides in the stockholders."

It is the Board of Directors, and not the officers, who are vested with the management of the corporate affairs by virtue of their selection and election by the stockholders. The officers are merely the agents and representatives of the corporation ordinarily designated as such by the Board of Directors and, in some cases where authorized by statute, directly selected and elected by the stockholders. Their authority is restricted to the term for which they have been appointed or elected. They have no franchise in their offices and, unlike the directors, may generally be removed at the will of the board of directors, without cause, notice or hearing. Under this concept, residual control always remains in the majority of the stockholders and the contemplated processes are as democratic as the American political system by which Congressional representatives are chosen periodically, except that the dollar, rather than the individual, is the voting basis of control.

Under this concept, the directors, as the representatives of the stockholders, become fiduciaries and owe all the stockholders a fiduciary's obligation of fidelity and accountability.

This fiduciary obligation of directors to be importial, honest and diligent in the protection and furtherance of the property rights of all the stockholders spells the law's effort to afford the minority adequate protection, for the fulfillment of this obligation to the common rights of all denies the promotion of the rights of any faction, majority or minority, officers or directors, at the expense of any other factional minority.

Obviously there are two readily discernible means of cancelling this protection to minorities—(and again remember that I am using minority as frequently including majority) one by the election of a Board unrepresentative of the majority and the second, by the partisan, negligent or dishonest use of the authority conferred upon a Board, however representative it may have been in the manner of its selection.

The manner of choosing directors, as I have pointed out, is by the application of the democratic principle of universal suffrage with the qualification of the dollar vote as I have noted. There are two matters worthy of note in this connection. One that in recognition of the geographic dispersion of stockholders—in comparison to the earlier concept of a corporation as a local and neighborhood business enterprise wherein every shareholder was required to be present in person in order to vote—a stockholder—since 1890 in a New York corporation—may vote by proxy. Undoubtedly intended to enlarge the voting opportunities of the stockholders, I need not tell you that proxy voting has been perverted into an instrument of giving a stockholder a choice of doing nothing or of giving his carte-blanche vote to existing management.

An example of what proxy voting degenerates into is furnished by the statistics concerning annual elections of the twelve largest mutual insurance companies for the years 1935, 1936, 1937, as disclosed by the comparatively recent report of the Temporary National Economic Committee. Here the total votes cast ranged from 0.1% to 2.51% of the possible votes. And of these elections, one held in 1937 is typical: Votes cast, 438,755; in person, 40; by mail, 414,467. The votes cast in person were all cast by employees; while examination of agents of the company disclosed that prior to the meeting they were given proxies and instructed to have them signed by policyholders, that many of the signatures on the proxies were affixed by the agents themselves to avoid any difficulty with policyholders or with the company managers.

The second matter worthy of note in this connection is that the right of a majority to elect a whole Board in effect denies the minority, as such, any direct voice in the management of the corporate affairs between elections and, although as early as 1875 New York State recognized cumulative voting as a means of protecting minorities, and although a model Business Corporation Act was approved by the National Conference of Commissioners on Uniform State Laws in 1928, and although today the right of cumulative voting is guaranteed by the constitutions of 13 states and conferred by statute in eight other states, the great State of New York has no such requirement and the too much used corporation laws of Delaware contain no such provision.

There are three major vices that tend to result in the practical disenfranchisement of stockholding minorities—and here minorities definitely includes if it does not entirely mean majorities—and thereby result in the selection and election of directors who are neither representative of the main body of the stockholders nor committed to impartial service in its interest. The first is the apathy and negligence of the majority itself; the second is the practical control of corporate elections by management, aided by allied financial interests, and the third lies in the culpability of our State Legislatures influenced by dominant legal and financial interests. I want to discuss the last corporate law is of long standing of these first.

That this imperfection of our admits of no doubt.

As far back as 1894, a law writer named Cook, in his work on Stock & Stockholders, said that New Jersey was a favorite State for incorporations and that her laws seemed to be framed with a special view to attracting incorporation fees and business fees from her sister states, and especially from New York across the river. Mr. Cook remarked that by 1894, New Jersey had largely succeeded in doing so and he said she "now runs the state government largely on revenues derived from New York enterprises."

Mr. Cook also described West Virginia as a "snug harbor for roaming and piratical corporations" and said that "its statutes seem to be expressly framed for that purpose."

John S. Parker, in his Corporation Hand Book, in 1906, called attention to the fact that Delaware and Maine and Arizona and South Dakota had followed New Jersey's suit and the latter two states attracted wild cat corporations by offering "bargain prices."

Governor Wilson cleaned up the New Jersey situation in 1912 and 1913, but that did not prevent Delaware from bidding for the relinquished traffic and today it is generally understood that the 1929 Delaware corporation law, with its bid to corporate promoters, was drawn by New York corporation lawyers who wished to provide comfortable and safe havens for their clients of the 1920's and Delaware, in consequence, rates many of the earlier encomia lavished by Messrs. Cook and Parker on some of her sister states.

I need not tell you gentlemen who have some acquaintance with the methods of stock promotion how various of these State Legislatures gradually converted the corporate set-up into a means of denying the minority—and again I stress the majority—of the protection afforded by the proper exercise of the right to select and elect a representative and nonpartisan Board of Directors. I need mention to you only a few of the devices authorized and used with no restraint by the Insulls and the Hopsons and with hardly less restraint by some of our best people. Among theme are the issuance of non-voting stock; the issuance to a favored few of multi-voting stock; the division of directors into classes holding office for a term of years and elected in successive years, the denial of the right of cumulative voting and finally the pyramiding of subsidiary and affiliated companies, all controlled by the few holders of the voting stock of the corporation at the inverted apex.

Let me give you a single example—and an extremely moderate one. In the H. C. Bohack Company, a chain grocery company operating in metropolitan New York, the majority of the directors are elected by the vote of $150,000 of second preferred stock held by the successors of the original founder, although public investors hold $3,000,000 of prior preferred stock (upon which there are presently large accumulated dividend arrears) and 105,537 shares of **non-voting** common stock.

Through these legal devices—which have not been restricted to bidding States, but have also found lodgment in the more conservative statutes of the State of New York, calculating minorities have been enabled to disenfranchise and thus to utterly disregard the rights not only of other minorities but of majorities to select and elect representative directors.

Without these legal devices, minorities—and in some cases holders of so little stock that they can hardly be considered a minority—like the soldier who was so unsoldierly that his top sergeant maintained he couldn't be called a soldier at all—have taken and have held control of our large quasi-public corporations.

The first and second of the vices that have resulted in denying the minority—and again I include the majority—the protection of a voice in the selection of directors, are affiliated. They work not so much by legal authorizations but through the application of practical methods and consequences. They manifest themselves when we seek to discern the reason why, as a practical matter, directors are the mere nominees of management in practically all of our quasi public corporations.

Primarily management cements its hold on its corporation because a good many stockholders are not so much investors as they are speculators. The stockbroker who deals with the public makes his living from the commissions he receives on the purchase and sale of stock. His facilities and recommendations are designed to encourage the speculator rather than the long term investor, to encourage purchase for a rise rather than for income. The margin system is designed to encourage speculation rather than to promote long term instalment stock buying. "You never lose money by taking a profit"—"You can't get the last dollar" and similar street slogans encourage this trend. And, I might add, the difference in treatment for tax purposes of capital gains and dividends drives the final nail in the investor's coffin.

The result is that the average stockholder is uninterested or disinterested when the corporate election comes around. If he doesn't like the management, its business methods or its dividend policies, he sells his stock instead of voting against the management. If he likes the stock sufficiently to hold it for a further profit, he pays no heed to the management.

The speculative stockholder is generally 100% apathetic and negligent when it comes to an election for directors. The investing stockholder is not so much apathetic as he is either trusting, or if not wholly gullible, is cynically confirmed in his belief that there is little, if anything, he can do about disturbing enthroned management.

That ordinarily stockholders are impotent to disturb management—whether or not they should be—was demonstrated by Berle and Means back in 1929 and those authors commented at that time in their work on Modern Corporations: "The nearest approach to this condition which the present writer has been able to discover elsewhere is the organization which dominates the Catholic Church. The Pope selects the Cardinals and the College of Cardinals in turn select the succeeding Pope."

The fact has been even more cogently demonstrated by the TNEC investigation and study.

But the question is not so much whether even majority stockholders are powerless to disburb entrenched minorities—for that is no question — as it is why that should be so. To my mind, there is something more to this situation—something more fundamental than the expediences of proxies, of holding meetings at remote places, of control of the lists of stockholders, of giving stockholders little information concerning their corporate affairs. I say that an examination of the subject will reveal that corporate elections of our large quasi-public corporations are generally controlled through the proxies given by holders of stock who not only take the word of existing management that it should be retained but are advised to do so by the banks, trust companies, investment and brokerage houses to whom they look for advice, and who are permitted, even under SEC restraints, to vote street name stock.

I say that a liaison exists between entrenched minorities — principally management which frequently holds so little stock as to hardly justify the use of the term — and management-dominated directors, banks, brokerage, underwriting houses and other financial interests affiliated with management by past and prospective profits, business affiliations and management ideology, for the purpose of perpetuating entrenched minority—again principally management—control of our quasi-public corporations.

This liaison is part of a system—a practical and pragmatic system—which is sustained by a fallacious management ideology that runs somewhat as follows: The director, so goes the argument, is the representative of the stockholder. (This is manifestly fallacious, since he is selected by the management and elected by its proxies.)

As opposed to the legal concept that the wide, discretionary powers of management reside in the directors, the practical management concept is that such powers reside in the officers.

The directors selected by management are chosen with at least an implied understanding that the services required of them will be commensurate with the trifling *honoraria* they receive—$20 or $25, or sometimes $100, per meeting—that the officers will furnish management, that they will formulate as well as execute the corporate policies, and that the directors will merely be called upon formally to ratify them. The directors know that they are selected merely to lend their names and presences to the conventions which require formal appearance and action of a board of directors, and they accept the office as a necessary service to the system to which they subscribe and in which they participate, for the prestige, contacts and information which the office yields them, and for the corporate business to the banks, underwriting or other business concerns with which their principal interest lies. Generally, the financial picture thus presents a general back-scratching operation where mutual understanding and cooperation reigns from the initial effort of management to take control from the shareholders by the selection of a complaisant board of directors to the perpetuation of such control by the inaction of a board of directors so selected. In a moment I will give you a practical and concrete demonstration of this ideology in practice.

By this artificially stimulated evolutionary process, practical control has been transferred to management from the shareholders, and management finds itself entrenched in power, at least until some equally powerful financial interest makes a successful fight to gain control for itself. Management has thus acquired and now holds control of our large quasi-public corporations and thus, in practical working effect, has displaced the legal corporate concept and has avoided the fundamental protection conceived by the laws for the protection of corporate minorities—and majorities.

Now, just a word as to the protection that the law seeks to afford minorities from negligent or dishonest boards of directors—and I maintain that the corporate scheme, in practical operation, is set up so that directors are neither expected nor desired, by minorities in control, to perform their legal duties with either fidelity or diligence. The management ideology to which I have just referred demonstrates that, and the mere fact that a director isn't paid is proof that he is expected to earn only the compensation he receives. As just one example of the service expected of directors by management, the case of one life insurance company is typical. One director attended three meetings during the years 1932 to 1938, inclusive; he had notified the company in 1934 that he was retiring from business activities because of poor health, but was asked to remain on the board; another attended one meeting from 1921 to 1928, inclusive; a third, eight meetings from 1926 to 1931, inclusive, and though he sought to resign in 1930 because of his inability to attend meetings, was asked to remain; another attended eight meetings from 1929 to 1938, inclusive; still another attended no meetings during the last five years of his life, and finally it was disclosed that another director had not only not attended a single meeting in 16 years but had accepted office upon the express understanding that he should not be expected to attend meetings at all.

What management's notion of a director's duties are—quite at variance with the legal concept—was revealed at the TNEC hearings when Chairman Ecker of the Metropolitan Life Insurance Co. expressed his views of a director's duty as follows: "I have stated very definitely it seemed to me he should attend meetings, but for day-to-day attention, unless asked for, I couldn't expect that of a director. He is not employed by the company. He attends meetings when called, for which he gets a nominal fee. . . . It is a contribution they make to the public cause, and we felt privileged to call upon them at any time when meetings are not in session. . . . The by-laws show that the policies of the company are in the hands of representatives elected by the board of directors. They are whole-time men and give their whole time to it . . . the greater responsibility must be with the management."

Again what management ideology wants of directors was revealed by a report of the New York Chamber of Commerce, to which I shall refer in a moment. Here is what the report said: "Directors who are not connected with a corporation's management must of necessity rely principally upon active management both for information and the determination of routine corporate problems. Were greater attention to details

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Protecting Minority Stockholders

(Continued from page 2371)

of management necessary, men of other business interests would be impossible to obtain as directors."

With this expectation of management, one can hardly expect the directors it selects to protect minorities by rendering nonpartisan and diligent service. When the directors do not, in theory at least, the law affords the minority a remedy—the derivative stockholders' suit. This is the only remedy afforded a minority denied a voice in the selection and election of directors.

I cannot spend the time here to demonstrate to you how inadequate this remedy is. I dealt with that subject in some detail in an article which appeared in the July, 1944, issue of the "American Bankruptcy Review." Here it must suffice for me to say that though it has been an insufficient protection for minorities, and though abused by minority stockholders and their lawyers, it has now — in practical effect, been taken away—in the case of the quasi-public corporation—in the courts of the State of New York by the passage of Section 61b of the General Corporation Law which requires a complaining stockholder who holds less than 5% of the stock of a corporation, or whose stock has a market value of less than $50,000, to give security for the expense to be incurred by the corporation and its directors (including counsel fees) in defending the suit. The practical effect of this statute, if its constitutionality—which is being challenged and which I prophesy will be successfully challenged—is upheld will be to end this remedy of the minority.

Remedies

I have given, I believe, a somewhat discouraging picture of minority protection. I am, however, not discouraged. There are rays of light to be seen if one raises his eyes above the ground. I remember my training as a pilot during World War I. It was a daily occurrence to take off on early morning flights when, on the ground, one could hardly see one's wing tips in the retreating dark of the morning. Yet as one left the darkness of the earth below, one would soon see the rays of the distant and yet unrisen sun beyond the expanding horizon.

So in the more mundane field of economic law and practice. The New Deal—like it or not—has been engaged in breaking the fetters whereby a powerful minority has sought to chain our political democracy within the circumscriptions of an economic feudalism. And the SEC has been a mighty sword in the initial effort of rending those fetters.

The failure to adopt adequate legislation by the various States—as a result of easy control of State machines and State Legislatures by dominant industrial and financial interests—do you recall the recent indictment of a good many members of a Michigan Legislature who took trifling bribes to pass a small loan Act sponsored by the loan companies—makes a mockery in this field—as in so many others—of the hollow cry of States' rights that is invariably raised to block needed reform. Like other States, New York has done nothing over the years, beyond the conventional, to promote minority protection and, if the truth be told, New York judges and Legislatures have tended the other way. Our New Deal laws have come closest to meeting the legal needs of the minority through the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, The Trust Indenture Act of 1939, The Investment Company Act of 1940, and the administration of those Acts by the Securities and Exchange Commission. In addition, minority rights—as well as honest majority rights—have been furthered by Section 77 and Chapter X of the National Bankruptcy Act and the intervention of the Securities and Exchange Commission in reorganization proceedings under the latter statute.

Let me state briefly what 10 years of administration by the Securities and Exchange Commission has sought to accomplish and has accomplished under these Acts for the benefit and protection of the minority security holder. And in passing, I might add that these accomplishments have been too little publicized—if a fraction of the miracles of SEC progress through the morass of anachronistic financial practices had been accomplished by the efforts of the New York Stock Exchange, or the National Association of Manufacturers, or the United States Chamber of Commerce, or some other darling of the vested interests that control the majority of our urban newspapers and periodicals, the proverbial welkin would have rung with its praises. But since it was only a New Deal agency, its record of accomplishment has been buried beneath a veneer of trifling and unjustified sneers, derogation and criticism.

But if you think I heap too much praise upon the efforts and accomplishments of the Commission, you may remain assured that the scales of public recognition and appreciation are still weighted against it.

But first it must be noted that the SEC's powers are limited by statute. It is not the fault of the Commission if the salutary and needed enactments of the Investment Company Act of 1940 are limited to banking and investment corporations thereafter organized and its prohibition of non-voting stock, its restriction of stock to one class of preferred and one of common, its restriction of control devices, its prohibitions against voting trust certificates, its requirements for independent directors, and its other efforts to end the minority abuses of the past cannot be levied against existing public industrial and financial corporations whose corporate structures perpetuate the ravages of the past. It is not to be charged to the SEC that it may not use its broad powers under the Public Utility Holding Company Act to compel an equitable redistribution of the voting stock of intrastate utility corporations or interstate and intrastate nonutility corporations whose corporate structures today are vestigial of the reign of industrial Hopsons and Insulls.

Nevertheless, Congress has gone a good way in attempting to prevent the glaring minority offenses of the past and the SEC has given the limited congressional mandates enlightened interpretation and courageous enforcement.

On the score of minority protection the SEC has functioned largely and principally in the utility field by virtue of the provisions of the Public Utility Holding Company Act and in the reorganization field in consequence of its right of participation by virtue of the provisions of the Chandler Act.

The authority found in the Public Utility Holding Company Act to require simplified corporate structures of utility companies and to redistribute equitably the vote has enabled the SEC to destroy the voting devices whereby control was perpetuated in a minority and at least to attempt to place such control with those whose money is represented in a true rearrangement of the balance sheets which has also been compelled by the SEC. I need not tell you gentlemen who are familiar with the security markets how the exercise of these powers by the Commission has increased the market values of sound preferred utility stocks and how it has swept away the false quotations of worthless common control stocks.

Of course the SEC cannot overcome the practical difficulties which geographically widespread stockholders suffer in seeking to elect independent directorates. The apathy of stockholders and their habits of reliance on management and associated financial interests cannot be overcome by merely throwing open the election lists for nominations and voting. In one of the first of the utilities to be separated from holding company control, Puget Sound Power & Light Co., an operating company incorporated in Boston, though operating solely in metropolitan Seattle, Wash., the SEC permitted stockholders to make independent nominations and then permitted committees, at the expense of the company, to solicit votes for nominees so selected.

Though the SEC had required that management officially take no part in the proceeding, a committee which represented very little stock nominated and sponsored a management slate and the management slate, with the aid of local banks and other members of the allied financial community, won the election handily—a clear indication that however the customary obstructions are cleared from the path, the financial hierarchy controls corporate elections.

In the Puget Sound case I asked the staff of the Commission to require cumulative voting, but for some reason unknown to me they did not do so. In subsequent cases, profiting from previous experience, they adopted this requirement and others designed to open the lists more readily to bona-fide stockholder control.

At this point I might stop to say that we cannot solve the problem of getting active and diligent representation for a public majority—and public minorities—directors who really direct—over the opposition of our financial dynasty. Conversely, I am confident that the problem could be readily solved by our banks, brokerage and investment houses if they would act in the interests of the public investors—the customers and clients to whom they sell the stock of our quasi-public corportations—and insist that management be relegated to its functions and that management's performance of its functions be supervised by a board of directors independently selected for its ability to act as a check on management.

I believe the Stock Exchange should take the lead in this campaign, and I believe that its failure to do so is another of those derelictions of business that causes the general public to weep crocodile tears when business, in default, wails for sympathy because Government is encroaching upon its functions. I believe that the Stock Exchange should have long ago fostered the creation of an Investors Protective League which, supported by its members, could have effectually policed recreant corporate management and thereby have prevented corporate abuse of the minority. It is not too late to do these things—there are plenty of places where minority protection is still needed—and that is particularly and cogently true in the correction of management ideology and practices supported by the members of the New York Stock Exchange that flaunt the legal and equitable requirements that boards of directors be selected by stockholders, that they be representative of the majority, and that once elected they independently, non-partisanly and diligently serve the common interests of all stockholders.

If the Stock Exchange and its allied financial and economic institutions and their memberships are sincere in their desire to avoid increased governmental regulation of private enterprise; if they are sincerely desirous of avoiding political totalitarianism, let them take the lead in purging their own ranks of economic totalitarianism and thereby make further extension of Government powers unnecessary.

Reorganization

In the field of reorganization, to take only a few instances of minority aid and protection, the SEC has succeeded in compelling trustees to institute actions against directors and others for previous mismanagement (Central States Electric; Pittsburgh Railway; McKesson & Robbins reorganizations). It has supported efforts to make available to bondholders a list of other bondholders for free and ready communication (Realty Associates; SEC's corp. reorganization). It supported successful efforts to remove a trustee disqualified by adverse interests (Realty Assoc. reorganization). It has prevented retirement of bonds by tender at prices unfair to minority holders. Generally, it has compelled the dissemination of adequate information to security holders so they may not be overreached by those in control of the reorganization.

At the same time it has permitted security holders to organize, although at times its efforts to discourage the striker has made honest representation somewhat difficult. Application of these restraints, laudable though they may be theoretically, have resulted in a lack of representation of minorities in recapitalization proceedings before the SEC to a point where, in some cases, even members of the SEC staff have regretted the absence of such representation. The SEC has also taken jurisdiction of minority security holders' claims and, where justified, has approved the allowance of compensation to those who had previously urged and litigated such claims.

In this fashion the Federal groundwork for protection of minority rights has been laid. It now remains to complete the job.

Today the basic weakness of our corporate structure lies in the unrepresentative board of directors selected by management and which, in violation of stockholders' right of control, assures control to a minority—usually management. The first task is to make management answerable to the stockholders, and that can only be done by assuring the election of a board truly representative of the majority. How a complete job in that respect can be done, in the absence of a willingness of the financial community to work with the investors rather than with management, I do not know. There are ways, however—there are expediencies—which may tend to arrest the growing power of management and reverse the trend.

One medium is publicity. Legal compulsions for full and informative periodic financial statements properly attested, without reservations, by independent auditors is one needed step. The SEC proxy rules requiring disclosure and affording individual stockholders opportunity to submit proposed resolutions and supporting statements is another. Making lists of stockholders readily available is still another. Opening minutes of the directors to periodic examination by stockholders is still another means of throwing light upon transactions that presently are kept secret.

Senator O'Mahoney has been wrestling with some of these problems and has proposed measures to regulate our quasi-public corporations in bills heretofore proposed to Congress.

It is true that abuses pro and con are bound to be suffered whatever expediencies are or are not adopted. Stockholders and their lawyers are not always actuated by unselfish motives, and honest and well-intentioned managements must be protected from dishonest and ill-intentioned assaults. So each of these expediencies requires study, and I know of no agency more capable of giving them adequate study than the SEC.

There are expediencies, too, in connection with the election of directors that should be considered, and some are so obsiously needed that their adoption can readily be urged. For example, an independent and impartial Chairman should preside at annual meetings so there may be no incentive to cover up management and no disposition to sidetrack legitimate stockholder inquiries and stockholder complaints.

Cumulative voting should be mandatory so an active minority can readily obtain information. One or more independent directors should be designated to sit on every board, and he should be selected by stockholders from a panel—of business men and lawyers, not politicians — compiled and approved by the SEC. Directors should be adequately paid for giving sufficient time to a study of their enterprise, so they may be informed and active. The paid director does not thereby become a part of management; instead, he becomes the director the law contemplates he will be, and has an incentive—unless he is a dishonest man, which most directors are not—not to be a mere show window dummy for management. Directors should be required to be present at stockholders' meetings for questioning, and the dummies will soon drop out.

I advocate increasing, not reducing, directors' responsibility and concurrent liability, and paying them adequately for the proper discharge of their legal duties.

Legitimate investors' organizations should be encouraged and investors encouraged to join them. Their intervention will aid in making the stockholders' meeting the event that the English annual meeting is and prevent it from being the cut and dried farce American managements attempt to make it. Here, too, a word of caution is needed. Investors' organizations must function in the interests of the investors in connection with their corporations and must not be allowed to become a mere cover for designing lawyers, a mere political pressure group for ambitious self-seekers, or an instrument of management in the hands of Janus-like stooges. Organizations such as these do both the minority and the majority more harm than good, as one example I have in mind demonstrated. When, in its eager desire to attack the administration, it not only agitated for a suspension of the death sentence which would have operated against the immediate interests of utility investors, minority and majority alike, it also agitated for the Hobbes bill which will operate against the long-range protection of railroad investors, while urging investors dividend tax revision in such a partisan spirit as to destroy its own influence once the cessation of the war permits the Administration to consider that much needed change.

On the other hand, an impartial and intelligent investors' organization can do much to aid the minority, and I am sure that such a one supported by members of the New York Stock Exchange and other financial interests would find itself welcomed by the SEC and other governmental agencies which are seeking to advance legitimate investment interests.

The restrictions and the prohibitions of the Investment Act of 1940 may well be extended to all public corporations and the utility holding company purge, in a more limited degree, applied to existing industrial public corporations, to the end that their corporate structures may be simplified, legal control devices eliminated and the control placed where ownership resides and its full and free exercise made possible.

Primarily, an official study of the entire subject is needed. The SEC and the Temporary National Economic Committee studies already made point the way. Our Federal statutes have broken the ground. Today the problems of the investor versus management are obvious in the public corporation. Tomorrow labor and the consumer will, with justice, demand a voice.

I have heard much ado made of our trend toward political totalitarianism during the past few months. But the men who make most of the fuss, like Mr. Woodlock of the "Wall Street Journal," say nothing of the economic totalitarianism from which we have suffered in this country for almost a century. If we must choose between the two, I prefer political totalitarianism so long as we can periodically vote the heads of that system out of office to a system of economic totalitarianism in which we have no control over our rulers and they are permanent, not temporary.

The American corporate system has not reached its peak. The American corporate structure has not yet attained its maturity. The process of evolution is not yet complete. It can justify President Nicholas Murray Butler's encomium that it is "the greatest single discovery of modern times." But it cannot justify that statement if it is to be permitted to be fashioned by wholly practical men who employ wholly practical means to direct its course. Today we find it on a by-path laid out by such men and laid out in such manner that the investor is denied his legal rights. The State must intervene to set it back on the road of its original democratic concept. Here there can be no complaint about State intervention, for the corporation is a creature of the State; the State gives its life and must see to it that that life its devoted to functioning as an attribute of the American purpose to create and maintain an economic democracy and is not diverted to the frustration of that purpose.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; General Instrument; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; American Hardware, and H. & B. American Machine.

Cap. Change Possibilities

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have available an interesting circular on the capital change possibilities among the New York banks. Copies may be had from Laird, Bissell & Meeds upon request.

OPA's Reconversion Policy in Practice Retards Full Production

(Continued from page 2348)

time when their continued operation is urgently needed to cushion unemployment resulting from military cut-backs. Yet OPA, in practice, has refused to readjust many ceiling prices which make it impossible for manufacturers to produce at a profit at prevailing cost levels.

Through individual price adjustments, OPA has permitted a number of manufacturers to recover production costs where their operations went into the red. But mere recovery of costs would fall far short of OPA's leading reconversion objective, since it would kill the producer's incentive to incur the financial risks incident to a resumption or expansion of civilian output. In fact, OPA's price adjustment policy governing civilian production is already exercising a far-reaching influence on the reconversion start in many industries, thus jeopardizing the basic reconversion goal — a fact that OPA seems to overlook.

OPA is trying to make a distinction between civilian goods whose production has been completely cut off during the war and other civilian goods that have been produced at least in some volume throughout the war. OPA apparently believes that, in industries where some manufacturers have maintained partial civilian production, the wartime ceiling prices should be maintained even if manufacturers now contemplating resumption of civilian production cannot realize a profit or face a loss.

This attitude completely overlooks the fact that some ceilings on civilian product prices were bearable only so long as an industry's over-all earnings position was favorably affected by military orders. It further overlooks the existence of considerable differences in production costs among the individual manufacturers of an industry, particularly regional differences. Thus a pricing policy that unduly hampers a return to a normal volume of production of civilian products that were manufactured in some volume throughout the war is as great an obstacle to a smooth reconversion start as a pricing policy that tries to enforce uneconomically low prices on completely reconverted industries.

The handling of the current pricing problems of the stove industry points up the unsoundness of OPA's policies governing industries in which a gradual return to full civilian production is now taking place, or is under active consideration.

An amendment to Maximum Price Regulation 64 covering domestic heating and cooking stoves, recently issued by OPA, contains a price adjustment formula of extreme rigidity and very questionable soundness. Not only does it limit the possibility of price adjustments on specific models to manufacturers who show an overall loss or are in danger of going into the red within 90 days, but it also specifically prohibits any individual upward revisions that would make a given manufacturer's price higher than the prices charged by other manufacturers for comparable models.

Contrary to the basic reconversion policy established by Price Administrator Chester Bowles in his memorandum to the members of the Advisory Committees, Amendment 1 to MPR 64 completely ignores the profit motive and its key role in our economy. This amendment makes no provision for any profit whatever, even though a manufacturer operates continuously at full capacity. Rather, it provides that if his prices are not now lower than those of his competitors, he must continue to sell at a loss or go out of business.

The $250,000,000 domestic stove industry charges that its orderly return to civilian production is severely handicapped or made impossible under present pricing provisions. The industry has asked:

(1) OPA to withdraw Amendment 1 to MPR 64 and to adopt a substitute price adjustment formula that would incorporate the industry's right to make a reasonable profit; and

(2) A complete overhauling of MPR 64, because the regulation as it now stands ignores the increase in production costs since current ceiling prices were established in December, 1941.

According to a brief presented by the industry to Representative Lyle H. Boren, Chairman of a Sub-Committee of the House Interstate and Foreign Commerce Committee, labor costs in the industry have risen as much as 30% since January, 1942. Materials costs in the same period have increased from 5 to 15%, depending upon the type of product manufactured.

These increases in costs are averages, and have been greater for some manufacturers. Therefore, the industry brief claims "that with an average pre-war gross margin of some 30% (against which were charged selling costs, advertising costs, distribution costs, administrative costs, taxes and general overhead, before any net profit) a number of manufacturers can operate only at a loss at prevailing ceiling prices, which were set by MPR 64 in December, 1941. Other manufacturers face the prospect of heavy losses on the production of some of their models. Amendment 1 to MPR 64, supposed to provide price relief in these cases, is so limited in character that it can remedy the situation only in a few cases and the adjustment provided is wholly inadequate even for these because at the very best it may permit recovery of costs only, without any margin of profit whatever."

It is interesting to note, also, the industry's contention that the recent amendment to MPR 64 directly conflicts with a number of the provisions of the Emergency Price Control Act, as extended June 30, 1944. Specifically, it claims:

(1) That the industry was not given an opportunity to make specific remedial recommendations of its own before issuance of the amendment to the OPA regulation;

(2) That the statement of considerations accompanying the amendment was inadequate;

(3) That the amendment ignores the mandate of the Price Act that prices shall be "generally fair and equitable"; and

(4) That adjustments for such relevant factors as general increases in production costs subsequent to the year ended Oct. 1, 1941, must be made.

The stove industry expresses the fear that Amendment 1 to MPR 64 may compel individual manufacturers to discontinue many now-unprofitable models. The effect will be to introduce standardization indirectly, despite the fact that Congress has repeatedly made it clear that it does not favor OPA's attempts to promote standardization.

These contentions of the stove industry raise the fundamental question of whether specific regulations of OPA conform to the broad statement of sound reconversion pricing principles issued by Administrator Chester Bowles.

De Gaulle Government Adopts Economic Program

Will Combat Inflation, Restore Nation's Industrial Production, and Provide That Sources of National Wealth Will Be Put at Nation's Disposal.

According to the French Press and Information Service the French Cabinet, which met on Nov. 17, 1944, under the presidency of General de Gaulle, examined the political and economic plan submitted by Mr. Mendes-France, Minister of National Economy.

After several broad exchanges of views, the members of the government unanimously adopted the following plan: to adopt a firm policy in favor of price stabilization and control. The Government is resolved to prevent by every possible means, the vicious circle of price inflation which would lead to higher wages, and even higher prices, until ultimate financial disaster. In order to achieve financial stability, it will be necessary to reabsorb progressively the surplus means of payment which are weighing down the buying power of the franc. This will be accomplished through a State loan and through fiscal measures that will absorb the surplus money in circulation.

The Government also decided to take strict measures to draw up inventories of fortunes and illicit profits. In the economic field the Government's efforts will bear on the resumption of the nation's industrial production. Important results have already been obtained concerning electric power and the coal situation. This work will be continued. The reorganization of the transportation system must be hastened and given an absolute priority, as transportation has a direct influence on economic recovery. Certain mechanical industries for repairing locomotives, railway cars, and trucks have begun working again. Stern leveling measures will be necessary to ensure industrial recovery. First of all, it will be necessary to restore the possibilities for producing manufactured goods, which in turn will make it possible to satisfy the consumers' needs. Factories that turn out machine-tools, and factories that turn raw materials into finished products will be given the most attention. This is the indispensable condition for the economic recovery of France. Frenchmen must obey the general regulations, so that the available resources of the country will be used to the best advantage.

The program that was adopted by the Cabinet provides that the great sources of national wealth will be put at the nation's disposal, and also determines the plan for nationalization, which will be carried out legally and in an orderly manner.

After thorough examination of the problem, the nationalized section will be defined, as will be the free industrial section. Between the two there may be a State controlled section.

The decisions that have been taken have such a vast scope, that they may be carried out only after a thorough examinatioin of their far-reaching effects. The structural reforms, now underway, must succeed, for the nation's recovery depends on their success.

Investment Opportunities

Atlantic Coast Line bonds and stock offer attractive investment opportunities, with the prospects of good business for a number of years to come overshadowing those for unsettlement, according to a study of the situation prepared by Vilas & Hickey, 49 Wall St., New York City. Copies of this interesting study which discusses the situation in some detail are available to brokers and dealers upon request to Vilas & Hickey.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

The current situation in Central Iron and Steel also appears interesting, according to a bulletin just issued by Lerner & Co. Copies of this may be had for the asking.

Situation Looks Good

Wellman Engineering Company offers interesting possibilities according to a circular issued by Wm. J. Mericka & Co., Inc., 29 Broadway, New York City, members of the Cleveland Stock Exchange. Copies of this circular may be had from the firm upon request.

Canada's Third Largest

Drumheller, Ehrlichman Company, Exchange Building, Seattle, Wash. have prepared a very attractive circular, in colors, on the City of Vancouver, B. C., Canada's third largest city. Copies of this study may be had upon request from the firm. Requests should be addressed to the attention of Mr. Josef C. Phillips.

Attractive Possibilities

E. & G. Brooke Iron Co. and H. G. Robertson Co. offer attractive possibilities, according to memoranda issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York Stock Exchange and other national exchanges. Copies of these memoranda may be had from Buckley Brothers on request.

Rails vs. Industrials

Copies of an address by Patrick D. McGinnis "Post-War Railroads vs. Industrials" have been prepared for distribution by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies may be had from Pflugfelder, Bampton & Rust upon written request.

Attractive Situation

Mortgage bonds of Chicago North Shore & Milwaukee offer interesting possibilities, according to a report prepared by Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this report may be obtained from Reynolds & Co. upon request.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

Do Insiders' Transactions Affect Stock Prices?

(Continued from page 2347)

month, and is usually released to the press in about three weeks, although sometimes later.

Profits Within Six Months Recoverable

The law provides that, "for the purpose of preventing the unfair use of information," any profit realized by a director or officer from any purchase or sale within any period of less than six months shall inure to and be recoverable by the corporation, and suit to recover such profit may be instituted by the corporation or by the owner of any of its securities if the corporation fails or refuses to bring such suit within 60 days after request. No such suit shall be brought more than two years after the date of the profit. Exceptions are cases where the security was acquired in good faith in connection with a debt previously contracted, and exempted securities, chiefly those of the Federal Government, States and municipalities. The law also prohibits short selling on the part of these insiders.

An Eight-Month Survey

With a view to ascertaining the possible effect of insiders' transactions on stock prices, we have conducted a survey of the SEC reports for the eight months from September, 1943, to April, 1944, inclusive. Eliminating gifts, bequests and other ownership changes not occurring in the open market, and confining the data to actual purchases and sales in the neighborhood of approximately 5,000 shares and upward (sometimes spread over several days), considered large enough reasonably to be expected to have any market effect, the results for issues of market interest are shown in the accompanying table.

Comparative Price Intervals

A comparison is given between the price on the date of the transaction and the price 30 days earlier, followed by the prices respectively 15 days after the transaction (to reveal any marked immediate effect that might be ascribed to the transaction), 45 days after (or about the time of public knowledge of the transaction as revealed by the SEC report), and six months later (to show the state of the market after a reasonable interval). As the lapse of at least six months is necessary to observe any long-range effect, April is the latest month the transactions in which are taken.

Analyzing the Results

In reviewing the results of this research, we conclude that, contrary to popular belief, the so-called insiders' dealings in their own securities have little or no real effect on the market. Out of 200 transactions in the table, 89 or about 45% show practically no change at the end of six months.

In the 111 transactions following which definite market changes were registered, it appears that more often than not the market has acted adversely rather than advantageously to the position taken by the insider, the proportion being 66 of the former to 45 of the latter. In the case of 34 purchases, 32 were followed by an advance and 2 by a decline, while in 77 sales only 13 were followed by a decline and 64 by an advance.

INSIDERS' SALES—SEPTEMBER 1943 TO APRIL 1944

Company—	No. of Shares	Price 30 days before Sale	Date of Sale	Price	Price 15 days after Sale	Price 45 days after Sale	Price 6 mos. after Sale
Airway Elec. Appliances	12,000	2½	12-29	2⅞	3	2⅞	3¾
Airway Elec. Appliances	3,650	2¾	2-23	3	3	2⅞	3¾
Airway Elec. Appliances	850	2⅞	2-29	3	3	3	3⅞
American Distilling	1,000	26¼	4-14	28½	27⅜	27¾	26¼
American Distilling	2,500	28⅞	4-18	27½	26¾	26¼	27⅝
American Distilling	2,000	29	4-25	26¼	37⅞	27⅛	27⅛
Basic Refractories	32,000	4¼	12-28	4¾	5⅛	5⅛	5⅝
Bath Iron Works	16,000	16⅞	11-22	16⅜	16	15⅞	16⅞
Bell Aircraft	3,500	15¼	1-11	10⅜	13	13¾	13½
Bell Aircraft	800	14½	1-12	10⅜	12¾	13¾	13⅛
Bell Aircraft	1,200	12⅞	1-31	11¼	13¼	13⅜	11¾
Climax Molybdenum	2,400	40¾	10-19	38	37½	33¼	36¼
Climax Molybdenum	1,700	38½	10-27	38¾	34¾	35⅝	34
Climax Molybdenum	1,000	38¼	10-29	37¼	34½	35⅛	34¼
Columbia Broadcasting "A"	14,500	22	11-8	22½	23⅝	25⅜	30
Continental Motors	5,400	5¼	3-8	5⅞	5⅞	5½	7⅜
Crown Zellerbach $5 Pref.	6,574	97¾	3-2	99¾	99¾	99⅝	102½
Detroit Michigan Stove	2,800	3⅛	1-15	3½	4	3⅞	6⅝
Detroit Michigan Stove	3,200	3⅛	1-17	3½	4	3⅞	6¼
Detroit Michigan Stove	3,800	3⅛	1-18	3½	3⅞	3⅞	5⅞
Detroit Michigan Stove	900	3⅜	1-25	3⅞	3⅝	4	6
Dunhill Int'l	5,100	11¼	3-23	11¾	9⅝	10⅜	12⅜
Dunhill Int'l	2,100	11⅝	3-24	11⅞	9⅝	10⅜	12¼
Equity Corp.	71,770	1¼	9-18	1⅜	1¼	15/16	1⅜
Equity Corp.	30,000	1	1-3	1¼	1¼	1⅜	1½
Equity Corp.	110,000	1⅛	1-25	1⅜	1¼	1⅜	1⅜
Eureka Vacuum Cleaner	1,600	8⅜	11-8	6½	6¾	7¼	7¼
Eureka Vacuum Cleaner	1,100	8¼	11-9	6¾	6¾	7½	7⅛
Eureka Vacuum Cleaner	2,500	7¾	11-24	6¾	6¾	7⅜	8¾
Eureka Vacuum Cleaner	1,000	7⅝	11-26	6⅜	6⅞	7¾	8⅞
Farnsworth Television	1,200	13½	3-2	12⅜	12¾	11½	12¾
Farnsworth Television	3,800	12⅝	3-7	13	12¾	10¾	13⅞
General Motors	3,800	51¾	11-17	49⅛	50¼	52½	58⅜
General Motors	1,200	51⅞	11-18	49¼	50⅛	52½	58⅞
Gilchrist	6,233	10⅜	2-14	11¼	12⅝	13⅞	12¾
Gilchrist	32,000	10½	2-15	11½	12⅞	14	12¾
Gotham Hosiery	9,646	6½	10-5	8⅝	8¼	7½	11⅝
W. T. Grant, 5% Pfd.	20,000	24½	12-9	24⅜	24⅜	24	24⅛
Gulf Oil	10,000	45¼	12-23	45⅞	45⅞	44½	47⅞
Hinde & Dauch Paper	4,800	20⅛	3-2	20⅞	21	21¼	25½
Harvey Hubbell	17,000	17⅞	12-10	19⅜	19¾	18¼	19⅛
Int'l Mining	15,000	5¼	3-23	5¼	5¼	4⅞	5⅛
S. H. Kress	5,862	29½	3-14	30¼	29¾	29¾	36⅜
S. H. Kress	4,702	30⅜	3-23	30½	30⅝	30¾	35⅞
S. H. Kress	5,197	30⅞	4-3	30⅜	30¼	31⅞	36
S. H. Kress	8,511	30¾	4-6	30	30	32	35¾
Lane-Wells	15,000	11	2-23	11⅞	11¼	12⅜	14¼
Lion Oil Refining	10,000	19¼	3-17	21⅜	20⅛	20½	18¾
Loew's Inc.	1,100	53⅛	12-8	57⅛	58¼	59¾	63
Loew's Inc.	1,400	54¼	12-9	56¾	58½	59	63
Maytag	1,200	5⅛	9-3	5⅝	5¾	5⅛	5
Maytag	1,300	5	9-10	5⅞	5¾	5⅜	4⅞
Maytag	2,700	5	9-13	5¾	5½	5½	4⅞
Maytag	1,500	5¾	9-20	5½	5⅜	5¼	4⅞
Maytag	1,200	5¼	9-21	5⅝	5¼	5¼	4⅞
Maytag	1,800	5¼	9-22	5¾	5¼	5¾	4¾
Maytag	2,500	6	10-11	5¼	5½	4¾	5⅜
Maytag	1,500	5¾	10-22	5½	5¼	4⅞	6
Maytag	3,500	5¼	11-10	5	4⅞	4¾	5⅝
Maytag	2,500	5⅜	11-29	4¾	4⅞	5	6
Maytag	2,200	4¾	12-16	4⅞	5¼	5⅛	7¼
Maytag	2,700	4¾	12-31	5¼	5⅜	4⅞	8
Maytag	3,300	5	1-7	5½	5⅜	4⅞	9
Maytag	2,900	4¾	1-14	5¼	5⅛	4¾	10⅛
Maytag	2,100	4⅞	1-21	5¼	5	4½	9⅝
Maytag	1,900	4¾	1-28	5⅛	4⅞	5¾	5⅞
Maytag	1,600	5⅛	2-1	5⅛	4⅞	6	9⅞
Maytag	1,600	5⅜	2-3	5	4⅞	6	9⅝
Maytag	1,100	5¼	2-17	4⅞	4¾	5½	10½
Maytag	1,000	5¼	2-18	4⅞	4⅝	5½	10⅝
Maytag	1,100	5⅜	2-23	4¾	5⅜	5⅝	10⅛
Maytag	1,300	5⅛	2-29	4¾	6	5¼	9⅞
Maytag	1,700	5⅛	3-1	4¾	6	5⅜	10
Maytag	2,000	5⅛	3-2	4¾	6	5⅜	9¾
Maytag	1,200	4⅞	3-8	4⅞	5¾	5⅛	9¾
Maytag	1,600	5	3-9	5⅜	5⅞	5⅛	9¾
Maytag	11,200	4⅞	3-10	5⅝	6	5⅛	9¾
Maytag $3 pref.	2,093	34	3-16	34	34¾	33¾	39
Maytag $3 Pref.	1,900	34	3-17	34	34⅜	33¾	38⅞
Maytag $3 Pref.	1,400	34	3-20	34	34⅛	33½	39⅜
Nash-Kelvinator	4,000	10	12-8	11⅝	11⅝	12⅜	14⅝
Nash-Kelvinator	1,400	10⅝	12-21	12	12½	11¾	15¾
Oliver United Filters "B"	5,000	8¼	10-28	8	7¼	7	7⅝
Omnibus Corp.	2,300	6¾	10-1	7	7	6½	10⅛
Omnibus Corp.	3,600	6⅝	10-16	6¾	7⅛	6¼	10
Omnibus Corp.	4,600	7	10-29	7⅛	6	7⅜	9⅞
Park & Tilford	1,200	45	12-13	57⅝	63¼	73¾	66¼
Park & Tilford	7,400	50⅜	12-17	71¼	64⅞	76⅝	57⅞
Park & Tilford	8,300	43½	12-20	68	61¼	75½	55¼
Park & Tilford	2,900	64⅞	2-1	80¼	72½	77¾	34½
Park & Tilford	1,800	61¼	2-3	75½	73	77½	33⅝
Park & Tilford	1,200	70	2-24	78	79	83	32½
Park & Tilford	1,200	76⅝	3-1	77	77¾	82¼	31½
Park & Tilford	2,300	74¼	3-6	80½	79	79½	30⅛
Park & Tilford	1,000	74¾	3-10	79	83⅝	78½	29
Park & Tilford	1,500	78¾	3-27	86¼	80⅝	90¾	32½
Park & Tilford	1,000	78⅛	3-29	83	79¾	89	31¾
Park & Tilford	1,200	77	3-31	82¼	82¼	88¾	31¾
Patino Mines	1,200	20½	1-8	18⅝	18½	20⅛	18¾
Patino Mines	1,200	18⅞	1-27	20⅛	20¼	19½	17½
Patino Mines	900	18¾	1-31	20⅜	20⅝	19⅞	18
Patino Mines	1,300	19½	2-4	19¾	20⅛	19½	17⅝
Patino Mines	1,300	18½	2-9	19⅝	20¼	19¾	17½
Patino Mines	1,700	18⅞	2-17	20	19¾	19	17½
Patino Mines	1,000	19⅞	2-25	20	19½	19	17½
Chas. Pfizer	5,740	43	3-28	43½	43	42	23⅜
Philco Corp.	10,000	20¼	12-7	22½	24¼	28	30⅛
Philco Corp.	5,940	25	2-2	28¾	27⅞	30⅜	34¼
Phoenix Hosiery	7,000	6⅛	10-27	5½	5	6⅜	10
Pittsburgh Steel	20,222	7⅝	12-24	7¼	8⅞	7⅞	8¾
Public Serv. Corp., N. J.	2,400	14	3-6	14⅞	14⅝	13⅝	16⅜
Public Serv. Corp., N. J.	1,900	14	3-8	14¾	14⅝	13⅞	16¾
Public Serv. Corp., N. J.	800	14	3-18	14⅞	14⅛	14	16⅜
Rayonier Inc.	6,000	13⅛	1-3	13½	13⅜	13⅛	16¼
Revere Copper & Brass	30,788	7½	2-24	7½	7¼	8	11
Rustless Iron & Steel	45,550	13¼	1-27	13	20	19⅜	18¼
Rustless Iron & Steel	25,000	15	2-10	20¾	20⅝	21⅜	18
D. A. Schulte	45,000	1¾	12-29	2	2⅛	2½	2¾
D. A. Schulte	4,808	2⅝	3-23	2⅞	2⅝	3	2⅞
Sparks Withington	5,000	4¼	2-1	5½	5⅛	5⅜	6⅞
Sparks Withington	1,200	5⅜	2-23	5	5¼	5	7¼
Sparks Withington	1,600	5½	2-24	4⅞	5⅜	4⅞	7
Standard Steel Spring	3,000	7⅛	2-19	7⅝	7¾	8¼	10¼
Standard Steel Spring	2,000	7	2-24	7¾	8¼	8¼	10⅜
Standard Steel Spring	3,500	7	3-13	8⅝	8½	7¾	9¾
Standard Steel Spring	2,000	7	3-15	8⅝	8⅜	7⅞	9¾
Standard Steel Spring	1,200	7¾	3-21	9	8¼	7⅞	10⅛
Studebaker	5,000	14⅝	2-17	14⅜	14¾	14¾	19½
Utah Idaho Sugar	2,100	2⅞	3-28	2¾	2¾	2¾	2¾
Utah Idaho Sugar	5,900	2⅞	3-29	2¾	2⅝	2⅝	2¾
Webster Eisenlohr	5,000	6¾	3-1	7⅝	8¼	8	9⅜
Webster Eisenlohr	3,000	6⅝	3-20	8	8	7⅞	8½
Webster Eisenlohr	2,100	6⅝	3-24	8½	8½	7⅞	8¾
Webster Eisenlohr	2,300	7¼	3-27	8½	8½	7⅞	9¼
F. W. Woolworth	2,800	36⅛	12-11	35¾	36	39⅝	39⅛
F. W. Woolworth	3,600	36	12-14	35¼	36	39½	40⅜
F. W. Woolworth	3,700	36	12-15	35½	36⅛	39½	40⅝
F. W. Woolworth	2,800	35¾	12-16	35⅜	36½	39⅜	41
F. W. Woolworth	3,300	36	12-20	35½	37	39	42
F. W. Woolworth	3,200	36	12-22	35⅜	38⅛	39⅛	41½
F. W. Woolworth	9,000	39	3-29	38⅝	38¾	37¾	42½
F. W. Woolworth	800	39¼	4-11	38½	37¼	38⅝	44¾
F. W. Woolworth	2,800	39¾	4-21	37½	38	38⅞	44⅛
F. W. Woolworth	2,100	39⅜	4-27	37½	38	39⅛	42¾

INSIDERS' PURCHASES—SEPTEMBER 1943 TO APRIL 1944

Company—	No. of Shares	Price 30 days before Purchase	Date of Purchase	Price	Price 15 days after Purchase	Price 45 days after Purchase	Price 6 mos. after Purchase
Am. Cities Pr. & Lt. "B"	7,000	2½	4-5	2⅜	2⅜	2⅝	2⅞
Ashland Oil & Ref.	6,400	6	2-9	5¾	6	6¼	6⅜
Bellanca Aircraft	5,900	2¾	1-28	3¼	2¾	3⅜	3¾
Butler Bros.	6,000	9⅝	9-16	9⅞	9¾	9⅜	9⅛
J. I. Case	5,600	122	12-17	35	36⅞	25¾	38
J. I. Case	6,048	125⅝	12-21	38⅝	38⅛	34⅞	38
City Stores	4,300	6½	3-9	7¾	8⅝	8½	9⅝
City Stores	4,400	6⅝	3-20	8⅞	7⅞	8¾	9⅞
Colonial Airlines	5,000	7⅜	4-28	7⅛	6⅞	7¾	8½
Consolidated Cigar	20,000	20⅞	9-28	21⅜	20¾	21¼	24
Consolidated Gas	5,300	4¾	2-3	5⅛	5¾	5¾	5⅞
Consolidation Coal	19,100	11½	9-21	15	14	14	17½
Consolidation Coal	1,100	11¼	9-23	14½	13¾	12¾	17¼
Continental Can	1,000	31⅞	12-8	33⅞	34⅜	33⅞	39⅞
Continental Can	1,500	32⅝	12-9	34½	33¾	34	39¼
Continental Can	2,000	33¼	12-13	35	33	33⅜	41¼
Continental Can	1,500	33⅜	12-14	35⅛	32⅜	34	41⅜
Eureka Vacuum Cleaner	6,000	7¾	11-30	6	7⅛	7⅛	9
Gimbel Bros	1,600	12½	4-15	13⅝	13¼	15¼	20¼
Gimbel Bros.	3,400	13½	4-18	13	13	15½	20
Grant (W. T.)	5,000	36¾	10-27	33⅝	33¾	33½	33¾
Gulf Oil	930	45¾	2-1	44⅞	45½	46½	47
Gulf Oil	670	45¼	2-8	44½	45⅜	45½	45½
Gulf Oil	800	45	2-15	45⅛	45⅝	45	46⅝
Gulf Oil	1,300	44¾	2-16	45½	45¼	45⅛	46½
Gulf Oil	800	45½	2-21	45¼	45¼	44¾	46¾
M. A. Hanna	7,500	32⅜	12-6	31¾	32⅛	31¾	35⅞
Int. Utilities "A"	1,100	10⅝	11-1	14¾	20⅝	20⅛	22½
Int. Utilities "A"	900	10 7/16	11-3	14½	20⅝	20⅝	23¾
Int. Utilities "A"	975	10⅝	11-8	15	20¾	19⅞	24¼
Jeannette Glass	6,000	2⅛	10-13	2	2	1⅞	2½
Kansas City So. Ry.	4,200	7⅜	11-27	6	6½	7½	11⅛
Kansas City So. Ry.	6,900	6¼	12-10	6½	6⅝	7¼	9⅞
Kansas City So. Ry.	6,000	6⅜	12-11	6⅝	6⅝	7¼	10
Kansas City So. Ry.	5,000	7⅝	2-18	9½	9⅞	11⅛	10
Kansas City So. Ry.	7,574	9¼	3-16	10½	13⅛	10	9¾
Kresge Dept. Stores	24,775	7¼	3-4	8⅞	8¾	8¼	9⅝
Pharis Tire & Rubber	16,418	6	10-15	7	7⅛	6⅛	8
Phoenix Hosiery	5,000	6⅛	10-27	5½	5	6⅜	10
Public Service Corp., N. J.	1,000	15	12-2	12½	13½	14⅜	15⅝
Public Service Corp., N. J.	1,000	13⅛	12-8	13⅜	13½	13⅞	15⅛
Public Service Corp., N. J.	1,000	13	12-9	13⅛	13½	13⅞	15¼
Public Service Corp., N. J.	1,000	12¾	12-10	13⅛	13¼	14	15⅜
Public Service Corp., N. J.	1,000	12½	12-14	13	13	14⅛	16
Public Service Corp., N. J.	1,000	12½	12-15	13⅛	13⅜	14⅜	16¼
Sharon Steel	4,700	13¾	12-24	13	13½	14¼	15⅞
Sharpe & Dohme	5,000	13¾	3-6	13¼	13¾	13⅛	12¾
Sharpe & Dohme	5,000	13½	3-16	14⅞	13⅝	12¾	12⅞
S. Stroock	5,289	21¾	3-17	25	24⅞	27⅞	12
Tri-Continental	21,000	3½	1-17	3⅝	3⅝	5½	4½
United Elec. Coal	8,002	7⅝	10-26	8	7	8	9⅝
Universal Laboratories	10,000	4	11-30	3	3¼	4⅜	4
Universal Laboratories	15,000	3⅛	1-5	3⅜	4½	3⅞	5⅞
Webster Eisenlohr	5,000	6	9-21	6½	6½	6⅛	8½
West Indies Sugar	7,000	19⅜	2-16	19⅞	22¾	22⅝	25
West Indies Sugar	6,900	19⅛	2-17	19⅞	22¼	22⅜	25

A necessary qualification is that while one would expect that a purchase to be satisfactory normally should be followed by a higher price and a sale by a lower price, such results are not necessarily and always sought.

Not all purchases are made with profit as the sole motive. An officer or director may acquire more shares of his company's stock as a matter of policy, or a newly-appointed official may make an initial investment for a similar reason.

Frequently sales may be inspired by some reason other than an expectation of lower prices in the future — profit-taking, the need for raising capital to pay taxes or other personal reasons. Again, retirement from management or from business entirely may actuate an individual in reducing his holdings. Another factor is the difference between the long-term (50% taken into account) and short-term (100% taken into account) holding periods in the capital gains tax law.

Comments on the Table

Of the 200 transactions reviewed, 56 were purchases and 144 were sales.

30 Days Before.—It will be observed that, compared with the price prevailing 30 days earlier, of the purchase transactions, 39 were made at a higher price and 16 at a lower, with one unchanged, while of the sale transactions 88 were made at a higher price and 47 at a lower, with 9 made at no change in price.

15 Days After.—Of the purchases, 31 were higher than the transaction level, and 17 lower, with 8 unchanged; of the sales, 66 were higher, 58 lower, and 20 unchanged.

45 Days After.—Of the purchases, 32 were higher, 21 lower and 3 unchanged; of the sales, 72 were higher, 64 lower and 8 unchanged.

6 Months After.—Of the purchases, 52 were higher, 4 lower and none unchanged; of the sales, 104 were higher, 34 lower and 6 unchanged.

While sales show results contrary to what might appear the interests of the person consummating the transaction to a much greater extent than purchases, another factor to be considered is the trend of the general market. Except for an initial decline from September to November. 1943, the market showed a slow but steady rise to June and July, 1944, followed by a mild reaction, indicated by the Dow-Jones Industrial Stock Average (month-end closings) as follows:

1943		1944	
August	136.62	March	138.84
September	140.12	April	136.23
October	138.27	May	141.24
November	129.57	June	148.38
December	135.89	July	146.11
1944		August	146.99
January	137.40	September	146.73
February	136.30	October	146.53

Conclusion

The extent and market effect of purchases and sales of their own securities by officers and directors appear to have been greatly exaggerated in the public mind. A study of SEC monthly reports over an eight-month period indicates that in the main these insiders' transactions are not large and have no discernible influence on the course of prices, immediately after they are made, later when they are publicly revealed, or after six months. Where marked price changes do follow the transactions, the majority of results, contrary to public belief, are not advantageous to the insider, judged solely from a market price standpoint.—Reprinted from "Investment Timing" of Nov. 22, 1944, published by the Economics and Investment Department of the National Securities & Research Corporation of New York City.

Attractive Values

Berkshire Fine Spinning $5 convertible preferred and common stocks offer attractive values at current market levels according to a memorandum issued by Scherk, Richter Company, Landreth Building, St. Louis 2, Mo. Copies of this memorandum, discussing the showing Berkshire has made and its post-war outlook, may be had from Scherk, Richter Company upon request.

Calendar Of New Security Flotations

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York Proceeds will be applied to the reduction of bank loans. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

HARRIS MANUFACTURING CO. has filed a registration statement for 60,000 shares of 7% cumulative convertible class A stock (par $5) and 120,000 shares of class B (par $2) reserved for conversion.

The 7% cumulative convertible class A stock will be offered at $5 per share. Proceeds will be used for working capital. Nelson Douglass & Co. heads the list of underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 19, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27 1944. Details in "Chronicle," Oct. 5, 1944.

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12½ cent cumulative dividend and participating preferred stock, par $1 per share. The net proceeds of approximately $200,000 will be used for working capital and expansion of the company's business. W. H. Cobb & Co., Inc., New York, is named principal underwriter. Offering price to the public $2.50 per share. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

S AND W FINE FOODS, INC. has filed a registration statement for 75,000 shares of common stock (par $10). Proceeds for working capital which may be used for plant improvements and office and warehouse expansion. Blyth & Co., Inc. are underwriters. Price to public $16 per share. Filed Sept. 28, 1944.

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds 3½% series due Nov. 1, 1974, and 10,000 shares of 5% preferred stock, par $100. Bonds and preferred stock are to be offered for sale at competitive bidding. Net proceeds estimated to be approximately $5,605,000, together with such cash from the company's general funds as may be required, will be used to redeem $6,065,500 first mortgage 5% series A bonds due Feb. 1, 1979. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

VERTIENTES-CAMAGUEY SUGAR CO OF CUBA.—696,702 shares of common stock ($6.50 par). U. S. currency. Of shrs registered, 443,850 are outstanding and owned by the National City Bank, N. Y Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

OFFERINGS

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 297,500 shares of common stock (par one cent). Of the total 200,000 shares will be sold by the company, 95,000 shares will be issued to stockholders upon exercise of options and 2,500 shares will be sold by another stockholder. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) preferred stock. Holders of more than 9,000 shares of preferred, including British Type Investors, Inc., and Empire American Securities Corp. have stated that such stock will be converted into common stock and not presented for redemption, and company's statement said it is probable that other holders of preferred will take similar action. Balance will be used to record, manufacture and sell phonographic records and working capital. Proceeds to Majestic on sale of the 95,000 shares upon exercise of options amounting to $112,499 will be added to working capital. Kobbe, Gearhart & Co. Inc. is principal underwriter. Filed Oct 12, 1944. Details in "Chronicle," Oct. 19, 1944.

Offered by Kobbe, Gearhart & Co. Inc. at $4.50 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, DEC. 14

AMERICAN HOME PRODUCTS CORP. has filed a registration statement for 98,535 shares of capital stock, par $1 per share.

Address—350 Fifth Avenue, New York City.

Business—Manufacture of ethical drug preparations, food products, cosmetics and toilet preparations, etc.

Offering—The corporation proposes to offer to the holders of its capital stock rights to subscribe at the subscription price to be filed by amendment to the new stock at the rate of one share for each ten shares of capital stock held. The unsubscribed stock will be offered to the public by the underwriters.

Proceeds—The net proceeds will be added to the general corporate funds of the compand. Depending upon future business conditions, it is anticipated that a substantial part of the proceeds will eventually be expended upon land, equipment, etc., to improve manufacturing facilities and provide for possible growth of the corporation's business. Part of the funds may be devoted to the completion of two projects, equipping of the leased building in Philadelphia, Pa., for the Wyeth Institute of Applied Biochemistry, and construction of a new plant in San Jose, Cal., for the processing of baby foods. The corporation is indebted to banks in the amount of $1,900,000 on short-term loans maturing Dec. 26 and 27, 1944, which it is expected will be paid at maturity without the use of proceeds from the proposed financing.

Underwriting—Hornblower & Weeks, New York, head the underwriting group. Others will be named by amendment.

Registration Statement No. 2-5534. Form A-2. (11-25-44.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us

AERONCA AIRCRAFT CORP. has filed a registration statement for 75,000 shares of 55-cent cumulative convertible preferred stock (par $1), and 33,600 shares of common (par $1). Of the common stock to be offered, 25,000 shares are for account of the company and 8,600 shares for the account of a stockholder. Proceeds will be used to increase company's working capital. The 8,600 shares being sold by a stockholder are owned by Carl I. Friedlander who will receive the proceeds. F. Eberstadt & Co., New York, is principal underwriter. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

CAPITAL TRANSIT CO. has filed a registration statement for $12,500,000 first and refunding mortgage bonds, series A, 4% due Dec. 1, 1964. The net proceeds from the sale of the bonds and from a $2,500,000 bank loan with treasury cash will be used for refunding purposes and to make payments on account of equipment purchases, etc. Bonds are to be offered for sale at competitive bidding. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle." Sept. 21, 1944.

Registration statement withdrawn Nov. 15, 1944.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced that:

The proposed transfer of the Exchange membership of L. J. S. Brody to Daniel E. Wade will be considered on Dec. 7.

Charles A. Gildea, member of the Exchange, died on Nov. 22.

Jesse C. Dann, Jr., limited partner in Vietor, Common, Dann & Co., Buffalo, N. Y., became a general partner effective Nov. 1.

Interim Fire Report

Butler-Huff & Co. of California, 210 West Seventh St., Los Angeles, Calif. have prepared an interesting interim report on Fire Insurance Stocks. Copies of this detailed brochure, and a comparative table of fire insurance stock pricing may be had from Butler-Huff & Co. upon request.

Funding Wrnts. Interesting

B. J. Van Ingen & Co., Inc., 57 William Street, New York City and MacBride, Miller & Co., 744 Broad Street, Newark, N. J., have prepared a memorandum on the interest funding warrants of the Borough of Fort Lee, N. J. Copies may be had from either firm upon request.

Interesting Study

Newborg & Co., 30 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an analysis on the General Finance Corporation. Copies may be had from Newborg & Co. upon request.

Tomorrow's Markets Walter Whyte Says——

(Continued from page 2350)

the kind of buying which indicates any immediate return to general strength. Volume, for example, has not kept pace with the rise. On the decline of two weeks ago, trading was heavier than for some time. Some of the selling may have been for tax purposes, though this seems premature. But whatever the reason, it was there and can't be shrugged off by one or even a few days' strength.

* * *

On the constructive side of the picture it can be said that stocks did go down to a critical level, then turned around again. If the turn-around wasn't sharp it was significant in that it proved that support levels do exist.

* * *

To that extent it demonstrated again that the main trend is still bullish. But, applying a general bull picture and breaking it down to its component parts to the point where individual stocks can again be recommended, is something else. The easiest method to follow from here on is to buy a couple of stocks at the market and keeping the recent lows as the levels at which stops would obtain. The temptation is strong to advise such a method. It doesn't seem particularly dangerous and losses, if they occur, could theoretically be cut short.

* * *

But, because it seems so simple, it has probably more than its share of danger. I have been in the market too long to take a gift without suspecting some catch. Maybe the catch isn't there. Maybe it exists only in my mind. But, unless I can remove that suspicion, or better still, if the Street removes that suspicion for me, I intend to step very carefully.

* * *

Two weeks ago when I advised liquidation the market was about 149. Possibilities of a push-through to above the all-important 150 point seemed excellent. Yet, a few days later, the averages were at about 145. Today they are back to about 146.50. So far as a market prognosis is concerned, this little rally is without significance. One piece of bad news can set the whole thing back on the skids. And many stocks are still too close to their critical points to allow of any convictions.

* * *

So, until further signs are given, the opinion here will have to be that this is not the time for buying. If the advice proves wrong it won't be wrong for more than a couple of points. In any case, the advice is that this is the time to play safe, and wait and watch.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Socialist Party Executive Committee Says FDR's Training Plan Brazenly Insults American People

Says Compulsory Universal Service is Part of Program to Avoid Unemployment and "Start a Military-Imperialist Corps."

Condemning the President's announced support for compulsory universal service, the National Executive Committee of the Socialist Party, meeting in New York on Nov. 20, asserted that President Roosevelt had "brazenly insulted" the American people by talking about brushing teeth and cookery when what is at stake is the totalitarian regimentation of American youth.

The statement of the committee follows:

President Roosevelt has brazenly insulted the American people. He seeks to reverse a basic law of democracy by subjecting American youth to totalitarian regimentation. Yet he discourses on brushing teeth, and training for cookery and carpentry.

By supporting compulsory universal service he tells the world that the war aims of the Administration are bankrupt. He admits that the Dumbarton Oaks proposals hold not a hope for peace, but for war.

It has been a bitter indictment of the capitalist system that the draft has revealed the deplorable state of the health of young people. Yet the President uses this as an argument to support universal conscription. In Machiavellian fashion, he asserts that the Civilian Conservation camps were a democratic, healthful institution. Yet the camps were established to make a pretense of reducing the unemployment that was rampant during the Roosevelt regime.

Compulsory universal service is part of the inevitable post-war program of the Roosevelt Administration to avoid unemployment by putting men in uniform. It is the inevitable step of a war Administration—to start a military-imperialist corps.

If the President were at all honest about the health of America's youth he would support a country-wide program of socialized medicine which would see that children receive sufficient nutrition at birth. That would demand an economy based on peace. The President's prime interest is underwriting a war economy.

Seaboard Of Interest

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange have prepared an interesting arbitrage circular on Seaboard Air Line Railway Co. Copies may be had from the firm upon request.

Attractive Situations

Common and 6% cumulative convertible preferred of the American Bantam Car and Panama Coca-Cola offer attractive situations according to circulars issued by Hoit, Rose & Troster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE JR.

The Government bond market last week showed only minor fluctuations despite considerable activity, and undoubtedly this situation will prevail until the ending of the Sixth War Loan. . . . The partially exempt issues, particularly the short- and long-term obligations, were somewhat easier. . . . The decline in the former was attributed to switching out of these maturities into the intermediate-term issues in this group, while the longer term bonds gave some ground due to profit-taking following their recent rise. . . .

It was learned that some institutions believe that the intermediate maturities of the partially exempt obligations such as the 3⅛% due 1949/52, the 2½% due 1949/53, the 2½% due 1950/52, the 2¾% due 1951/54, the 3% due 1951/55 and the 2¼% due 1951/54 are more attractive at present prices than the shorter term issues in this classification, and they have been making switches into the middle-term maturities. . . .

It was also reported in certain quarters of the financial district that many feel that the spread between the intermediate-term partially exempts and the long-term partially exempt issues have now narrowed to a point where it is no longer considered advisable to sell the former to acquire the latter. . . . Likewise, it was learned that institutions that are not concerned with excess-profits taxes took advantage of the recent strength in the longer term partially exempt issues with the exception of the 2⅞% due 1955/60 to obtain funds, part of which were reinvested in the 2½% due 1964/69 at 100 3/32 with the balance used to subscribe to the 2½% due 1966/71. . . .

ACTIVITY IN TAXABLES

The filling in of maturities, as well as switching within the outstanding issues, resulted in substantial activity in the taxable obligations with good demand being noted for the 2% due 9-15-51/53 and the 2% due 6-15-52/54. . . . Some of the dealers, as well as the large New York City banks, are advising the purchase of the called 4s, particularly for institutions that want to acquire the new 2% due 12-15-52/54. . . .

In their opinion, the called 4s, on a no-yield basis plus 7/32, which is equivalent to a cost of 100 7/32 for the new 2% due 12-15-52/54, which can be obtained in exchange for the called 4s, is still an attractive price for the new 2s. . . . This opinion is based on the expectation that these bonds will sell between 100 9/32 and 100 11/32 when they are available in the market at the close of the War Loan Drive. . . .

DEFERRED SUBSCRIPTION PRIVILEGE

It is indicated that the savings banks will make greater use of the deferred subscription provisions during the Sixth War Loan than they did in the previous drive. . . . It was reported that these institutions expect substantial increases in deposits during January and February of next year, and this means that larger subscriptions will be entered during the drive, under the deferred payment plan. . . . These purchases will take care of the anticipatd new funds as well as less selling of Government issues presently owned. The savings banks have accumulated substantial funds for the Sixth War Loan through the repayment of corporate issues that were recently refunded, since these banks did not replace to any extent the called bonds with the lower coupon obligations. . . .

SPECULATION ON EXCHANGE BASIS

There has been considerable interest in Government bond market circles as to what extent the called 4s will be exchanged for the 1¼% notes, the 2% and 2½% bonds. . . . It seems to be the opinion of many dealers that the 2% and 2½% bonds will be by far the more popular issues in this exchange with the 1¼% notes in not too great demand. . . . Some guesses heard in the Street indicate that between 85% and 90% of the called 4s that are turned in for exchange will take the 2% and 2½% issues. . . .

The Federal Reserve statement for the week ended Nov. 22, two days after the opening of the Sixth War Loan, showed the effects of the preparatory work for the drive on the banking system, when the 12 Federal Reserve Banks reported holdings of Government securities at an all-time high of $18,410,524,000, the first time in the history of the central banks these holdings passed the $18 billion mark. . . . Holdings of Treasury bills reached an all-time high for the system of $12,085,737,000. . . . On the other hand, the holdings of this security by the 16 reporting member institutions in New York City declined to $251,000,000, the lowest level in the last two years. . . . It is indicated that the member banks of the system disposed of bills, and a few notes, in order to acquire needed reserves, the strain on which will be relieved considerably about Dec. 1, when the bulk of the large subscriptions to issues bought in the present drive will be paid for and reserve required demand deposits will be transferred to war-loan accounts against which no reserves are needed. . . .

REPURCHASE AGREEMENT

It is believed, at that time, the member banks will buy back substantial amounts of the bills recently sold to Federal under repurchase agreements. . . . Last week's statement of the Federal Reserve System showed a continuation of the trend that has been pretty much in evidence for quite some time now, when the member banks of the system bought $83,000,000,000 of Government bonds, indicating that these institutions are still lengthening maturities in order to increase income return. . . .

Since the ending of the Fifth War Loan, the only Government security holding of the member banks that has shown an increase during this period was their holdings of Government bonds, with their position in the bills, certificates and notes down substantially. . . .

BILL OFFERINGS REDUCED

On Nov. 23, the Secretary of the Treasury announced that the weekly offering of Treasury bills would be $1,200,000,000 compared with recent offerings of $1,300,000,000, a reduction of $100,000,000. . . . It had been indicated for some time that such action might be taken since the Treasury's cash balance is very substantial, and with the additional funds to be obtained in the War Loan Drive, the Government will be in a position to carry on without the additional $100,000,000 weekly for a considerable period of time. . . .

It is expected that between $18 billions and $19 billions will be raised during the present drive, which will further bolster the already comfortable cash position of the Treasury. . . .

With the trend of member banks purchases of Government securities toward the longer maturities, as well as the fact that almost 72% of the outstanding Treasury bills are held by the 12 Federal Reserve Banks, indicates that the money market at this time can get along very will with the smaller weekly offerings of this security.

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The Financial Situation

We thought it desirable to list in these columns last week a number of instances of upside down thinking in matters that have to do with our relations with other countries. It seemed all too likely that these fallacies would be repeated so often that they would become widely accepted, and then made the basis for policies which could not fail to do us and the remainder of the world a great deal of harm.

The danger is as great from foolish notions about domestic affairs. If the reader feels any doubt of it let him run over in his mind the sources of post-war wealth, or economic well-being, that he has seen or heard listed by men of influence during, say, the past 60 days.

Bases of Prosperity?

He can scarcely have failed to hear these factors cited as if there were nothing in the least inconsistent in their underlying meaning: (1) An unprecedentedly large production equipment, (2) the degree in which upkeep, maintenance and repairs of our industrial machine have been perforce neglected and deferred during the war years, (3) the equally large degree in which public facilities such as roads, streets, public buildings, parks and what not have been permitted to get into disrepair during the war, (4) the accumulated shortage of many, many types of consumers' goods, from clothing to houses, from shoes to cigarettes, from dolls to automobiles, and (5) the extent to which the public has accumulated cash or the equivalent with which to replenish its supplies of all such things when the war is over.

It scarcely seems reasonable to regard both a great growth in our production facilities and a general deteriora-

(Continued on page 2380)

Secretary Perkins Recalls Progress Of Social Reform Movement

At Town Hall Anniversary Meeting She Urges Further Extension of Social Security and Wider Application of Philanthropic Activities.

Frances E. Perkins

On Nov. 16, at the Town Hall Fiftieth Anniversary Founders Day celebration in New York City, Miss Frances Perkins, Secretary of Labor, after speaking of the contributions to social reforms made by the founders of Town Hall, and the influence of this work on her own career in New York City, called for further enlargement of the scope of philanthropic activities and extension of the social security program.

In recalling the progress made in the fostering of social reforms and in providing better health and living conditions, Miss Perkins stated:

"This conception of philanthropy grew up in America at the same time that America was growing into its enjoyment and into its exploitation of its great natural resources, and its great wealth, and so we began to have more and more a steady demand for government, or legislation—local or Federal—taking over some of these things which had been developed on small scales by private enterprises and making them available and making the techniques of the prevention of poverty and the prevention of ill health available to all of the people and so we have that drift toward legislation — State, social and labor legislation, city ordinances, and finally in the last few years, I am proud to say and extremely proud to have had a part to play in it, we have written into the laws of the country itself certain underlying protective principles so that the whole people of the United States may have access to the techniques of the prevention of poverty which we have learned to know on a smaller scale. Perhaps no system has had a greater effect on the prevention of the untold suffering from poverty than the whole Security Program, the underlying foundation stones of which are now laid and upon which we can build forever.

"That really wasn't anything new and startling because we already knew of it from these small experiments often described and endorsed by the League for Political Education, and we had learned how old age could be protected.

"We learned what had to be done to stabilize employment and

(Continued on page 2384)

Post-War Tax Changes Proposed by Commerce And Industry Association of New York

Recommends Post-War Repeal of Excess Profit and Capital Stock Taxes Together With Reduction of Corporate Tax Rate to a Flat Levy Conformable to Normal Rate on Individuals. Favors Exemption of Dividends From the Normal Tax and the Repeal of Tax on Intercorporate Dividends. Urges Lower Taxes on Income From Foreign Investments and Post-War Graduated Tax Rates on Individual Incomes With a Maximum of 50%. Asks That the Present 23% Normal Minimum Rate on Personal Incomes Be Substituted by a Single Tax of 16% to 20%, and Opposes Increase in Payroll Taxes. Calls for a Simplified Tax Structure.

Laurence A. Tanzer

The Commerce and Industry Association of New York, Inc., through its Secretary, Thomas Jefferson Miley, released a 15-point Federal Tax Plan last week. The recommendations are to be submitted forthwith to the Treasury Department, members of the Senate Finance Committee, the House Ways and Means Committee, and to the Joint Congressional Committee on Internal Revenue Taxation. The program, compiled by the Association's Committee on Taxation and Public Revenue under the Chairmanship of Laurence Arnold Tanzer, has been approved by the Board of of Directors and follows in full:

"Your Committee held meetings on Oct. 10 and 19, to consider recommendations to be laid before the Board of Directors with respect to the position which the Association should take with regard to post-war tax plans which have been the subject of public discussion. The Committee had before it the report of the Association's Post-War Planning Committee on "Winning the War and the Peace"; the report on "Fiscal and Monetary Policy" prepared for the National Planning Association by Messrs. Beardsley Ruml and H. Chr. Sonne; the so-called "Twin Cities Plan"; and "A Post-War Federal Tax Plan for High Employment" proposed by the Research Committee of the Committee for Economic Development, as well as suggestions from various other sources.

"The Committee also had before it, and used in part as a basis for its discussions, a set of "Questions on the Post-War Tax System" prepared by the Division of Tax Research of the Treasury Department of the United States for the purpose of discussions which the Treasury Department and the staff of the Joint Committee of Congress on Internal Revenue Taxation plan to hold with persons and organizations interested in the subject.

A. Corporation Taxes

"1. **Declared-value excess-profits and capital-stock taxes**—This Association has repeatedly declared itself as in favor of the repeal of these taxes. They have no real basis in reason for their existence; they are a constant annoyance to business; and the revenue derived from them is apparently insignificant. We recommend that the Association reassert its demand for the immediate repeal of these taxes.

"With respect to the question whether in the place of these taxes there should be a tax to apply to corporations that do not make profits as well as to corporations that make profits, your Committee believes that no such tax should be imposed. So far as Federal taxation is concerned the

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"They Should End With the War"

President Roosevelt

I take the occasion of this report again to point out that the reverse lend-lease aid rendered by nations of the British Commonwealth to the United States is only a part of the aid which we have received from the British in fighting this war. The United States has benefited greatly from reverse lend-lease aid, as the facts set forth in this report indicate. But we have benefited far more, and in a far larger sense, from the total fighting effort of our allies.

As I have stated in previous lend-lease reports and as the Congress has expressed itself in reports by its appropriate committees at the time of the virtually unanimous renewals of the Lend-Lease Act in 1943 and 1944, lend-lease and reverse lend-lease are not two sides of a financial transaction. We are not loaning money under lend-lease. We are not receiving payments on account under reverse lend-lease. The lend-lease system is, instead, a system of combined war supply, whose sole purpose is to make the most effective use against the enemy of the combined resources of the United Nations, regardless of the origin of the supplies or which of us uses them against the enemy. . . .

Lend-lease and reverse lend-lease are a system of combined war supply. They should end with the war.—Franklin D. Roosevelt.

The bold face is ours.

As to the rest of it we can only hope that our allies will prove as generous and as little self-seeking as we seem to be in these matters.

Industrial Activity Down Slightly In October Federal Reserve Board Reports

"Output and employment at factories and mines showed little change from September to October," according to the summary of general business and financial conditions in the United States issued by the Board of Governors of the Federal Reserve System, based upon statistics for October and the first half of November. "Value of department store trade increased further in October and the early part of November, while commodity prices were stable," said the Board in its advices Nov. 27. The Board continued:

Industrial Production

"The Board's seasonally adjusted index of industrial production was 230% of the 1935-39 average in October as compared with 231 in September. Output of durable manufactures continued to decline slightly, while production of non-durable goods and minerals was maintained at the level of the preceding month.

"At steel mills production increased slightly in October but for the month was 7% below the peak of a year ago. Production of copper and other non-ferrous metals continued to decline, with output of aluminum and magnesium curtailed more than 50% from the peak rates reached at the end of last year. In the machinery and transportation equipment industries activity declined slightly in October. Lumber production showed little change in October from the September rate which was 10% above the pre-war level. Output of lumber and also pulpwood has been limited during the past two years because of the difficulty of recruiting labor in these industries.

"Activity at cotton textile mills and at shoe factories declined in October, while output of manufactured food products increased, after allowance for the customary seasonal changes. The rise in food manufacturing was mainly at canneries and was made possible by increased farm production of fruits and vegetables. Newsprint consumption showed a greater than seasonal increase in October. Output of chemicals, rubber products, and other non-durable goods continued at about the level of the preceding month.

"Output of coal and crude petroleum was maintained, while production of iron ore continued to decline seasonally.

Distribution

Department store sales increased considerably in October and were 13% larger than last year, which is about the same year-to-year increase that has prevailed in recent months. In the first half of November sales rose further and exceeded by 8% the exceptionally high level of a year ago.

"Railroad freight traffic was maintained at a high level during October and the early part of November.

Bank Credit

"On the eve of the opening of the Sixth War Loan Drive bank deposits and currency owned by individuals, partnerships, and corporations were larger than at any previous time. Such holdings of deposits and currency have increased in recent months as the Treasury expended funds raised during the Fifth War Loan Drive.

"Adjusted demand deposits of individuals, partnerships, and corporations at reporting banks in 101 cities increased by around six billion dollars between July 12 and Nov. 15; this brought the total outstanding to a level about a billion dollars above that reached before the Fifth War Loan Drive. Time deposits increased by about a billion dollars. At country banks outside the leading cities it is estimated that demand and time deposits are slightly more than three billion dollars larger than they were prior to the Fifth Drive. Currency in circulation has increased by about 2.5 billion since the middle of June.

"As a result of the deposit expansion, the average level of reserves required by all member banks rose sharply during the inter-drive period and are about a billion dollars greater than at the beginning of the Fifth Drive. Reserve funds to meet the increasing requirements, as well as a currency outflow, were supplied largely through substantial additions to the Government security portfolio of the Reserve Banks; holdings were increased by over three billion dollars between July 12 and Nov. 15. Member bank borrowings at the Reserve Banks also increased as they had done prior to the Fifth Drive. Excess reserves, which increased during the War Loan drive, declined at a fairly rapid rate immediately following the close of the drive and then fluctuated generally around a billion dollars. About three-fourths of these excess reserves are held by country banks.

"At reporting banks in 101 cities, bill and certificate holdings declined by around 2¾ billion dollars during the inter-drive period reflecting sales, largely to the Reserve Banks, as member banks adjusted their reserve positions. Bond holdings were increased by around 800 million dollars.

"Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in August to a level comparable to that prevailing prior to the Fifth Drive, fluctuated somewhat over the following period but began to increase early in November. Other loans for purchasing or carrying Government securities continued to decline. Loans for handling other securities, reflecting substantial flotations of new corporate issues, increased during the late fall. Commercial loans also rose."

Oct. Cotton Consumption

The Census Bureau at Washington on Nov. 15 issued its report showing cotton consumed in the United States, cotton on hand and active cotton spindles in the month of October:

In the month of October, 1944, cotton consumed amounted to 795,379 bales of lint and 125,722 bales of linters as compared with 793,086 bales of lint and 121,430 bales of linters in September, this year, and 846,993 bales of lint and 117,299 bales of linters in October, last year.

In the three months ending Oct. 31, cotton consumption was 2,429,955 bales of lint and 372,215 bales of linters compared with 2,562,335 bales of lint and 336,237 bales of linters in the corresponding period a year ago.

There were 1,976,720 bales of lint and 211,930 bales of linters on hand in consuming establishments on Oct. 31, 1944, which compares with 1,713,963 bales of lint and 213,429 bales of linters on Sept. 30, 1944, and with 2,206,448 bales of lint and 432,408 bales of linters on Oct. 31, 1943.

On hand in public storage and at compresses on Oct. 31, 1944, there were 11,991,770 bales of lint and 27,932 bales of linters, which compares with 9,776,490 bales of lint and 38,954 bales of linters on Sept. 30 and 12,273,785 bales of lint and 53,336 bales of linters on Oct. 31, 1943.

There were 22,228,138 cotton spindles active during October, 1944, which compares with 22,239,574 cotton spindles active during September, 1944, and with 22,599,574 active cotton spindles during October, 1943.

Ruml Re-elected Head Of NPA Business Com.

Beardsley Ruml

Beardsley Ruml was re-elected as Chairman of the Business Committee of the National Planning Association at the Committee's annual meeting held in New York City on November 17. Mr. Ruml, who has acted as Committee Chairman for the year, is Treasurer of R. H. Macy and Company and Chairman of the Federal Reserve Bank of New York.

P. B. Stull of Wilmington, Delaware, Vice-President and Director of Hercules Powder Company, was elected as Vice-Chairman. Mr. Stull, a member of the Committee since its creation in 1942, has been especially active in the Committee's studies of post-war industrial reconversion.

Charles E. Wilson, President of General Electric Co., was elected to membership on the Committee at the annual meeting. Mr. Wilson is a member also of the Executive Committee of NPA's Board of Trustees and served as Chairman of the Board for the term preceding that of William L. Batt, the present Chairman.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 27 that the tenders of $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated Nov. 30 and to mature March 1, 1945, which were offered on Nov. 24, were opened at the Federal Reserve Banks on Nov. 27.

The details of this issue are as follows:

Total applied for, $2,061,528,000. Total accepted, $1,202,980,000 (includes $63,971,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(53% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 30 in the amount of $1,210,155,000.

Pond, Adams Directors Of NY Reserve Bank

Beardsley Ruml, Chairman of the Board of the Federal Reserve Bank of New York, announced on Nov. 17 that Harry H. Pond, President of the Plainfield Trust Company, Plainfield, N. J., was elected by member banks in Group 2 as a Class A director of the Bank, and that Charles E. Adams, Chairman of the Air Reduction Company, Inc., New York, N. Y., was elected by member banks in Group 2 as a Class B director. Each was chosen for a term of three years beginning Jan. 1, 1945. The election of directors to succeed William J. Field, Class A director, and Frederick E. Williamson, formerly Class B director, was held in accordance with the requirements of the Federal Reserve Act.

An item in the matter appeared in our issue of Oct. 12, page 1610.

The State of Trade

What was long anticipated has now come to pass with the action taken by the National War Labor Board on Saturday, last, in granting the United Steel Workers of the CIO wage adjustments above the "Little Steel" formula. The result of the Board's action was not surprising, but it was most disheartening to a large segment of the American people. It was especially disconcerting to those who have borne the privations and hardships that a changing economy imposes. A condition where living costs skyrocket and personal income keeps snail's pace with the upward trend of prices, or in many instances, shows no change at all.

In commenting upon the increase in pay to the steel workers, William H. Davis, Chairman of the NWLB stated that the advance was accomplished "without even bending" the formula. In effect the formula is flexible enough to meet the demands of well-organized groups who can exert sufficient pressure to obtain their demands. In the case, however, of individuals seeking equitable adjustments in pay to cope with excessive living costs, the formula assumes a rigidness that places an impenetrable barrier in the way of even moderate relief from an intolerable situation.

The dangers inherent in such a decision must not be lightly brushed aside. The Board's action prepares the way for an inflationary condition that may well tend to make the plight of the American people worse. By setting the formula aside it has opened the door to other organized groups, thus enabling them to present their demands. The potency of our wage stabilization machinery is also impaired by raising production costs and by building up inflationary buying power that well may wreck our whole economy.

True, the full demands of the steel workers amounting to 17 cents an hour have not been met, but the benefits gained by "bending" or circumventing the formula average 5 to 7 cents an hour for some 400,000 employees involve a total of 88 companies. Together with the increase, other concessions include, the order by the Board to companies to negotiate dismissal pay or severance wages, vacations, shift differentials and the elimination of existing intra-plant wage-rate inequities. The award is retroactive to Jan. 3, 1944. The door, however, is not closed to further adjustments in the 17 cents an hour level, since the remainder of the increase has been left to the discretion of the President.

To illustrate the decision's significance for the companies involved, on a 7 cent an hour basis, the award will mean to each of them a mark up in cost of approximately $28,000 an hour. On a weekly 40-hour basis it would amount to $1,120,000, running up to about $58,240,000 a year.

In a statement issued by Irving S. Olds, Chairman of the Board of Directors of the United States Steel Corporation, with respect to the NWLB decision, Mr. Olds said, "Money to pay increases must come from somewhere. Whatever the source the public eventually pays the bill in one way or another. This may come about in one of several ways: (1) Higher prices for steel products and a wide range of manufactured articles requiring steel; (2) higher income taxes made necessary by substantial reductions in Governmental receipts from taxes on the earning of industrial concerns; (3) fewer jobs resulting from the financial weakening of private enterprise."

Insofar as the justification for such an increase, the facts do not bear out the contention of the Union that living costs for steel workers have far outstripped wages, since the official index of the Bureau of Labor Statistics reveals that from January, 1941 the cost of living has increased about 25%. In contrast to this rise it should be noted that steel employees base wages have risen 43% and actual wages by about 65% above those paid in 1939.

Thus, by the Board's decision, this particular group of workers who have already obtained material benefits by the war are to receive further compensation to the possible detriment of all industry and the American people.

Manufacturers' Shipments—Shipments by manufacturers this year will be about $158,000,000,000, of which $94,000,000,000 will represent durable goods and the remainder non-durable goods, the Department of Commerce recently reported. The increase from 1943 will be about 7%. Shipments of durable goods have advanced more rapidly in most of the war period than have those in the non-durable goods field, but this year the rate of expansion will be about the same in both fields, the Department said. Deliveries of durable goods in the last six months are expected to be slightly below those of the first half of the year.

Textile Mill Prices—At the close of last week Chester Bowles, Price Administrator, reported that the Bankhead amendment to the Stabilization Act passed by Congress last summer increased prices to the textile manufacturers by more than $100,000,000 a year.

Mr. Bowles, it is reported, took exception to estimates following the passage of the amendment that the increase might be as much as $150,000,000. His estimate ranged from $25,000,000 to $50,000,000.

The amendment provided that ceiling prices on each major cotton textile item, separately considered, must reflect parity to the cotton grower. In conceding that he was too conservative in his original estimate, Mr. Bowles expressed the hope that this "huge charge" would not be passed on to consumers by the manufacturer.

Commodity Price Index—Commodity prices at the primary market level were unusually steady during the week ended Nov. 18, with increases of only 0.1% recorded in three groups—farm products, fuel and lighting materials and chemicals and allied products—it was announced by the U. S. Department of Labor in its report released Nov. 23, which went on to say: "These slight increases did not affect the Bureau of Labor Statistics' index of all commodities. It remained unchanged at 104.1% of the 1926 average. Since about the middle of October prices for these commodities have risen 0.3% to a point 1.5% higher than at this time last year."

Steel Industry — "The complexion of steel orders has changed considerably in the past few weeks, and more changes are expected in the distribution picture during the first quarter of 1945," stated "The Iron Age" in its issue of Nov. 23. In past months accent was on many war programs as far as steel supply was concerned, but has now shifted to only one major war steel item—shell steel. Evidence early this week was that the increased shell program will not be at the expense of steel rails in the first quarter, but will gain its extra supplies from cutbacks in steel plate directives. "Apparently a clear track has been definitely established for first quarter steel rail requirements, which will total about 600,000 tons. It is

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President Reports on Reverse Lend-Lease Aid Received by U. S. From Britain

In a message to Congress on Nov. 24 transmitting a report (the 17th) on lend-lease operations, President Roosevelt noted that 15 of the reports had borne on lend-lease aid extended by theUnited States, but that his latest report had to do with "reverse lend-lease aid received by the United States from the British Commonwealth of Nations up to June 30, 1944." The President described "lend-lease and reverse lend-lease" as "a system of combined war supply." "They should end with the war," he said, "but the United Nations partnership must go on and must grow stronger," he added.

"For the tasks of building a workable peace that will endure we shall need all the strength that a permanent and stronger United Nations can provide in winning security from aggression, in building the economic foundations for a more prosperous world."

According to the President's message to Congress, "one year ago the Governments of the British Commonwealth reported their expenditures for reverse lend-lease aid to the United States, on the basis of estimates carefully prepared from their records, as totaling $1,175,000,000." They now report, he said, "that by June 30, 1944 — one year later — these expenditures had risen to $3,348,000,000 — almost three times the previous total."

The President observed that "reverse lend-lease has played an essential part in the stupendous job of preparing for and supplying the great Allied offensives in Europe." He also said that "it would have required a thousand ships to send across the Atlantic what we received for our men through reverse lend-lease from the United Kingdom," and he further stated that "we were able to use these thousand ships instead for carrying supplies and equipment that had to come from the United States."

The President indicated that "for the war against Japan, United States forces have also received increased quantities of supplies and services in the last six months as reverse lend-lease from Australia and New Zealand, and in India." With respect to the President's remarks that lend-lease and reverse lend-lease "should end with the war," Associated Press accounts from Washington on Nov. 24 said:

The President's position was hailed at the Capitol. Chairman Connally (Dem., Tex.), of the Senate Foreign Relations Committee said, "I am glad the President wants to end it at the end of the war. I have always said it should be ended then."

Meanwhile, it was learned, British and American lend-lease experts in lengthy secret sessions here have virtually completed a $5,500,000,000 program of lend-lease to Britain for 1945.

This program is built on the assumption that the war in Europe will end at least during the early months of 1945 and thereafter lend-lease to Britain will be justifiable to the extent that it helps the British fight the Japanese.

This is reflected in the estimated over-all total of the new program which is about 50% of the present annual rate of shipments which in recent months has averaged between $10,000,000,000 and $11,000,000,000 a year.

With the submission of the President's report to Congress, the Associated Press advices from Washington Nov. 24 said: "The British put out a similar report a few hours earlier covering about the same statistics. This showed that the United Kingdom had supplied, up to June 30 this year, munitions and other goods and services valued at $2,437,062,000, and that Australia, New Zealand and India furnished $911,065,000—a grand total of $3,348,127,000.

"The United States has furnished to the United Kingdom for the same period, ending June 30, a total of $9,321,549,000 of lend-lease and to all the Allies a total of $28,270,351,000 worth. But Mr. Roosevelt urged that no comparisons be made on a dollar basis."

In Associated Press advices from London, Nov. 24, it was stated that Great Britain has given the Allies lend-lease aid amounting to $4,318,592,000 since the war began, a Government report on "mutual aid" announced on that day. The press advices added:

Chief beneficiary has been the United States, which during the year from July, 1943, to June, 1944, received from Britain alone, $2,418,920,000 worth of goods and services, the report said.

In addition, during that year alone, British ships brought to the United Kingdom more than 865,000 uniformed Americans, including 320,500 carried on the Queen Mary and the Queen Elizabeth.

Next to the United States, the most aid was given to Russia — $1,077,828,000 worth of goods during the year, including 1,042 tanks.

Aid to other countries since the war began included:

China—$36,200,000.

France—Up to June, 1943—$54,400,000.

Poland—(Provisional) — $480,000,000.

Greece—$49,472,000.

Czechoslovakia—$74,516,000.

Portugal—$44,532,000.

Turkey—$82,724,000.

Aid given American forces, the report said, included petroleum products worth $235,528,000, aircraft worth $43,060,000, guns and ammunition worth $29,196,000, and tanks and vehicles worth $9,620,000.

Other items listed as having been built especially for the Americans or turned over to them were 133 airfields, barracks, roads, railways, seaport facilities and hospitals with nearly 100,000 beds.

In addition to nearly $32,000,000 worth of food provided United States troops in the United Kingdom, the report said bulk foodstuffs and raw materials amounting to $54,000,000 were shipped to the United States, mainly from British colonies, but paid for by England. Included were 40,000 tons of natural rubber, largely from Ceylon.

The building program for airports, barracks and other quarters was estimated to have employed over 100,000 men.

In many cases, it was declared, United Kingdom production met all the requirements of the United States forces. It noted that spark plugs for certain types of American aircraft were wholly provided, including 558,500 used here and another 600,000 shipped to America.

Britain also produced 137,000 jettison fuel tanks to increase the range of U. S. fighter aircraft, 50,000 pieces of armor plate, and during the first six months of this year 7,087,802 "Jerricans," containers specially constructed to hold gasoline.

The President's message addressed to Congress on Nov. 24 follows:

To the Congress of the United States of America:

I am submitting herewith my 17th report to Congress on lend-lease operations.

In 15 of these reports I have reported on lend-lease aid extended by the United States. One year ago, the twelfth lend-lease report to Congress set forth the reverse lend-lease aid received by the United States from the British Commonwealth of Nations under the lend-lease act. That report covered the period up to June 30, 1943.

I now report on reverse lend-lease aid received by the United States from the British Commonwealth of Nations up to June 30, 1944.

One year ago the Governments of the British Commonwealth reported their expenditures for reverse lend-lease aid to the United States, on the basis of estimates carefully prepared from their records, as totaling $1,175,000,000. They now report that by June 30, 1944—one year later—these expenditures had risen to $3,348,000,000—almost three times the previous total.

The first six months of 1944 showed a significant increase in reverse lend-lease aid from the British Commonwealth. These were the months when the final preparations were being made in the United Kingdom for the liberation of western Europe and for the offensives aimed at Germany.

In these six months, United States forces in the British Isles received the equivalent of almost 3,851,000 ships' tons of supplies from the United Kingdom under reverse lend-lease, exclusive of construction materials and gasoline, compared with 2,950,000 tons in the entire preceding 18 months. In monetary value, the supplies and services we received in these six months were greater than for the entire preceding year.

By D-Day, United States armed forces had reached the United Kingdom in vast numbers. From the day our first soldiers arrived in 1942, one-third of all supplies and equipment currently required by United States troops in the British Isles has been provided under reverse lend-lease. The percentages of total United States Army requirements in the European theater provided by the United Kingdom have ranged as high as 63% in the case of quartermaster supplies and 58% for engineers' supplies.

Reverse lend-lease has played an essential part in the stupendous job of preparing for and supplying the great Allied offensives in Europe.

It would have required a thousand ships to send across the Atlantic what we received for our men through reverse lend-lease from the United Kingdom.

We were able to use these thousand ships instead for carrying supplies and equipment that had to come from the United States.

Without the reverse lend-lease aid that we received from the United Kingdom, we would surely have been forced to delay the invasion of France for many months. Now that this campaign has been successfully launched and is on the road to ultimate success, it is possible to include in this report facts about specific and vitally important reverse lend-lease projects that could not previously be safely disclosed in a public report.

For the war against Japan, United States forces have also received increased quantities of supplies and services in the past six months as reverse lend-lease from Australia and New Zealand, and in India. These were the months in which the forces under Gen. MacArthur were completing the New Guinea campaign and were preparing to launch the campaign for the liberation of the Philippines.

Our forces in the Pacific have already received 1,850,000,000 pounds of food alone from Australia and New Zealand, including more than 400,000,000 pounds of beef and other meats.

Another important reverse lend-lease program in this theater has been the production for our forces of landing craft, small ships and boats, for the campaign we are waging in the Pacific. Tremendous numbers of these boats are needed for landing and supply operations on hundreds of islands scattered across thousands of miles of water. More than 9,500 of these craft had been produced and delivered by Australia alone in time for the Philippines campaign and over 12,000 more are on the way. In addition, Australia and New Zealand have turned over to our forces many hundreds of coastal steamers, barges, tugs, lighters, yachts and launches.

In India the increased rate of reverse lend-lease aid we have received in the first six months of 1944 has kept pace with the rising tempo of air, land and sea operations in the Burma-India and China theaters. A significant proportion of the supplies we have received in India has consisted of aviation gasoline and other petroleum products drawn from British oil resources in the Middle East and refined at the British refinery at Abadan. This gasoline, provided to us as reverse lend-lease, without payment by us, is helping to power our B-29 Super-Fortresses in their raids from both China and India on the Japanese homeland and on such enemy-occupied strong points as Singapore. It is also being used by the fighter and bomber planes of the Tenth and Fourteenth United States Army Air Forces.

I take the occasion of this report again to point out that the reverse lend-lease aid rendered by nations of the British Commonwealth to the United States is only a part of the aid which we have received from the British in fighting this war. The United States has benefited greatly from reverse lend-lease aid, as the facts set forth in this report indicate. But we have benefited far more, and in a far larger sense, from the total fighting effort of our Allies.

As I have stated in previous lend-lease reports and as the Congress has expressed itself in reports by its appropriate committees at the time of the virtually unanimous renewals of the lend-lease and reverse lend-lease act in 1943 and 1944, lend-lease and reverse lend-lease are not two sides of a financial transaction. We are not loaning money under lend-lease. We are not receiving payments on account under reverse lend-lease. The lend-lease system is, instead, a system of combined war supply, whose sole purpose is to make the most effective use against the enemy of the combined resources of the United Nations, regardless of the origin of the supplies or which of us uses them against the enemy.

Neither the monetary totals of the lend-lease aid we supply, nor the totals of the reverse lend-lease aid we receive are measures of the aid we have given or received in this war. That could be measured only in terms of the total contributions toward winning victory of each of the United Nations. There are no statistical or monetary measurements for the value of courage, skill and sacrifice in the face of death and destruction wrought by our common enemies.

We in the United States can be justly proud of our contributions in men and materials and of the courage and skill and sacrifice of the men and women in our armed forces and of all those others who have devoted themselves selflessly to the war effort at home. We can be rightly proud of and grateful for the contributions in men and materials of our allies and the courage and skill and sacrifice of their soldiers, airmen, seamen and peoples.

In this war the United Nations have all drawn strength from each other—our Allies from us and we from them. We can now begin to see the full significance of the overwhelming power that this steadily closer partnership has created. We already know how much it did to save us all from disaster. We know that it has brought and will bring final victory months closer than would otherwise have been possible.

Lend-lease and reverse lend-lease are a system of combined war supply. They should end with the war. But the United Nations partnership must go on and must grow stronger. For the tasks of building a workable peace that will endure, we shall need all the strength that a permanent and stronger United Nations can provide in winning security from aggression, in building the economic foundations for a more prosperous world, and in developing wider opportunities for civilized advancement for the American people and for all the other peace-loving peoples of the world.

FRANKLIN D. ROOSEVELT.
The White House, Nov. 24, 1944.

Mutual Savings Banks Support 6th War Loan

"Again the American people willingly take up their task of financing our greatest national war effort," said President Isaac W. Roberts of the National Association of Mutual Savings Banks and President of The Philadelphia Saving Fund Society, commenting upon the Sixth War Loan. "Fortunately we have the largest store of day-to-day savings ever recorded, deposits in mutual institutions now approximately $13 billions of dollars. More than half of this imposing sum already has been invested in Government securities and we will make an important direct contribution to the success of this Sixth War Loan by the purchase of additional Government securities for our own accounts." He added:

"Of equal importance, every mutual institution is organized to assist in wide public distribution of the new War Savings bonds to individuals. Mutual savings banks have established special facilities to advise the public and help in the accumulation of private funds for bond purchases. We are confident that the Sixth War Loan will be assured largely by the savings of the 'little man and little woman.'"

Support Remittances To Italian Provinces

The Treasury and War Departments on Nov. 24, announced that support remittances may now be sent to the recently liberated Italian provinces of Viterbo, Terni, Teramo, Rieti, Pescara, Macerata, Grosseto, Chieti, Aquila, and Ascoli-Piceno. Remittances of this type have previously been authorized for other liberated provinces of Italy as well as Sicily and Sardinia. The Treasury Department's announcement added:

The amount which may be remitted and the procedures to be followed are prescribed in General License No. 32A as amended today by the Treasury. Under this General License a maximum of $500 per month may be sent to any person in the designated provinces for his support and that of his family. Existing procedures have not been changed by today's amendment and the restrictions against withdrawals from blocked accounts are still effective. Remittances to the areas added by today's amendment will be channeled through the Bank of Italy. Persons desiring to effect remittances to any area in the liberated portions of Italy should consult their local banks.

The Treasury has been advised that the Bank of Italy is establishing correspondent relationship with certain banks in Baltimore, Boston, Chicago, Cleveland, Detroit, Milwaukee, Newark, New Haven, New Orleans, New York, Pittsburgh, Providence, San Francisco, St. Louis, and Washington. The correspondent banks will forward payment instructions to the Bank of Italy, and the Bank of Italy will make payments in lire to the beneficiaries.

Treasury officials again emphasized the fact that the regulations do not authorize the sending of checks, drafts, securities, or currency to Italy.

The Financial Situation

(Continued from first page)

tion in equipment at one and the same time as encouraging signs of enhanced economic well-being in the post-war years. As a matter of fact, it may well prove that neither of them is. An enlargement of capacity to produce, if the enlargement has occurred in the capacity to produce the things which the people want and are willing to pay the cost of production for, should without any question be put down on the credit side of the ledger. But is this the fact of the matter? It would appear rather doubtful. In some degree it has been, of course, but close examination of the nature of the added facilities is very likely to lead to the conclusion that much of it is of doubtful worth in peacetime, and that next to none of it will in peacetime be worth what it cost to construct in wartime.

We can now make many, many times as much aluminum and magnesium as we could in 1939. Some of the increase in capacity can be utilized in providing a peacetime industry with more abundant light metals. It would, however, be more than foolish to suppose that ordinary industry in ordinary peacetime can make profitable use of more than a fraction of these metals we can now produce. The plant that has been brought into being to make airplanes must in large part be converted extensively if it is to be employed in the manufacture of other products, as it must be if it is to be utilized advantageously. How much it will cost to convert it, and how much it would be worth once it is converted no one at this time can say. An enormous part of war increase in plant has been created for the production of explosives. It may be doubted if any very material part of this will be worth much of anything after the war. And so it goes. The mere fact that we have expended many billions of dollars expanding our industrial plant is absolutely no guarantee that for peacetime purposes we are economically stronger than before.

Under-maintained Facilities

But it is merely foolish to suppose that half wornout machines and the like are assets much greater than the same machines in good repair. The popular notion seems to be that since it will be necessary to repair or replace all such equipment when the war is over, a corresponding amount of employment is guaranteed, and since employment brings prosperity and economic well-being, machines in need of repair are a special source of wealth. But if such a line of reasoning were valid, then it would pay us to go at intervals through the plants of the nation and put facilities into disrepair in order that we might grow rich repairing the damage thus inflicted! Precisely the same argument would apply to the notion that the state of disrepair found on the roads and the streets of the country and cities, and in the public facilities throughout the land is a potential source of wealth. There is evidently something quite radically wrong with this popular line of thought about such things.

Poor Yet Rich

It is even more foolish to suppose that the fact that most of us are less well supplied with the necessaries or the luxuries of life than is usually the case can be regarded as a source of wealth or economic well-being in the post-war period. If a man goes into the post-war period without an automobile when he normally would have one, a house that is in need of major repairs, or perhaps no house at all, and fewer of the other things considered essential for a reasonably comfortable life, he is definitely the poorer, not richer, for the fact. And when he has done whatever is necessary to refill his wardrobe, his cupboard, his garage, and all the rest to their accustomed state, he is then precisely where he would have been to begin with had no such shortages come into being. If this were not true it would be a good thing to set aside a day each year when every man would destroy an appreciable part of all his belongings in order that he might have the opportunity to grow rich replacing them! Of course, no one is so foolish as to believe in any such procedure as that.

We come now to one of the most commonly cited sources of economic well-being after the war—the large current accumulations of "liquid savings," usually cash or Government bonds. We are repeatedly told in effect that we have accumulated shortages of the things we want, but have much money with which to satisfy these wants when the ban is lifted after the war. The picture thus presented to the unthinking is so rosy that it appears almost a shame to unmask it. It is true, of course, of a single individual in ordinary times that if he has the cash he can have what he wants of the good things of life—although it is not clear why at any time he is better off with the cash but without the goods than he would be with the goods and minus the corresponding amount of cash. But be that as it may be, the cold fact is that what works in this way for a single individual, or even for a group of individuals, does not work that way for all the people at one and the same time.

Plenty of Money

What is being said is that Tom, Dick and Harry, and all the others, including their wives and children, have plenty of cash; what they lack is goods that they want. They lack the goods because the war has interfered with supply and rationing has intervened. Once the war is over, and rationing disappears, all these Toms, Dicks and Harrys will go promptly into the market and satisfy their wants forthwith. What market? From whom will they buy—until they themselves have made the goods they all want? But in the process of making them each has received the value of the goods in funds with which he can buy the goods if he wants them. One thing seems clear; that is, that what is likely to be most abundant on the new Armistice day will be money. Simultaneous effort on the part of the millions of holders of these funds to exchange them for goods they have long wanted and long been denied, would of necessity merely mean a competitive bidding up of what supplies actually existed.

We should be wise, perhaps, to reconsider the fundamentals on which we have been planning our post-war programs.

Mrs. Roosevelt Favors Foreign Military Service After the War

Mrs. Franklin D. Roosevelt on Nov. 27 suggested the post-war possibility of young men who may be called up for a year's military service under a universal service law passing part of that year in an army of occupation. This was disclosed in a press dispatch on Nov. 27 from the Washington office of the New York "Herald Tribune," which also said:

> In answer to a reporter's question as to whether she considered it wise for the Congress to take immediate action on the passage of a post-war universal service law, Mrs. Roosevelt replied: "It is wise to take action now because during the period of occupation it will be good to have a continuous flow of men." She commented further to the effect that trips abroad would be of educational value to the young men and "it is very likely that if any of the groups volunteered to go any place they might be sent."
>
> Mrs. Roosevelt has been in favor for some time of including young women in a universal service program, assigning them to various types of social service work and civic activity. Her comment on the Wadsworth-Gurney bill for compulsory service was that it left most of the decisions up to the Chief Executive and she thinks "it is dangerous to leave so much to the Executive—the law should express what the people really want."

SEC Hears Arguments on Trading Privileges

Curb Exchange and NASD Battle for Trading Privileges in Common Stocks

The Securities and Exchange Commission on Nov. 21, at Philadelphia heard arguments on the application of the New York Curb Exchange to extend unlisted trading privileges on six common stocks, comprising the Lukens Steel Co. $10 par stock; Merck & Co. $1 par stock; Northern Natural Gas Co., $20 par stock; Public Service Co. of Indiana, no par stock; Warner & Swasey Co. no par common; and the common stock, $10 par value, of the Puget Sound Power and Light Co. These stocks are traded in over-the-counter, and the National Association of Security Dealers in behalf of itself and several of the companies whose stocks are involved contends that the issues are not sufficiently active in the securities market to warrant trading on the Curb. The case has been pending for over a year, but the hearings have been delayed from time to time.

The Curb Exchange was represented by its counsel, Col. William A. Lockwood, who requested that the Commission should not only permit unlisted trading on the Curb in the shares but should also include in its decision a statement advocating unlisted trading and "dual listing" on regional exchanges. By "unlisted trading" is meant trading on the Exchange of a security of a company, which has not directly requested the Exchange for "listing" or trading privileges, and which had not registered its stock for "listing." In the present case, several of the companies have objected to the listing of their shares on the Curb Exchange.

The NASD was represented by Stephen C. Thayer, who contended that several of the companies whose shares the Curb desires to extend trading privileges to, object to this action on the ground that considerable blocks of their securities are closely held, particularly by members of families connected with the concerns, and that sufficient amounts of these shares are not available in the open market for trading on a securities exchange.

"It is the position of NASD," Mr. Thayer stated, "that there is not sufficient public distribution of the Lukens, Merck, Northern, Public Service and Warner common stocks within the vicinity of the Curb under the alternative definitions of 'vicinity' to support unlisted trading privileges." He added also that there is not sufficient public distribution in and around New York to warrant the Curb dealing in the shares as a regional market.

In the NASD brief, the vicinity of the Curb was defined as "the five boroughs of New York City, or an area within an hour's commuting distance of New York City," while the Curb contends that it should include New York, New Jersey, Rhode Island, Massachusetts, Connecticut, Pennsylvania and also Ohio.

Col. Lockwood, in his argument for the grant of "unlisted" trading on the Curb, referred to the study made by the Securities and Exchange Commission in which, he contended, it was shown that investors paid more a share, on an average, than the highest prices recorded on the Curb Exchange for the same securities.

"Such stocks, therefore," said Col. Lockwood, "belong on a Stock Exchange. The record shows conclusively that the public interest and the protection of the investors necessitate the exchange market. If unlisted trading privileges are not granted to these stocks it is difficult to see that the purpose of Congress 'to create a fair field of competition between exchanges as a group and the over-the-counter market' will ever be created."

In answer to Col. Lockwood on this point Mr. Thayer attacked the study of the Commission as "biased and unfair" to over-the-counter trading, and supported the principle that there must be sufficient distribution of a security in the vicinity of New York to support the claim of a grant of unlisted trading privileges on the Curb.

Lloyd George Contends Greatest Mistake of First World War Was Action of U.S. in Leaving League

Hopes America Will Act Differently This Time

The surest way of preventing a third World War would be "by America's acting differently this time," it was stated by David Lloyd George, Great Britain's Prime Minister in the First World War, in an interview on Nov. 25, according to Associated Press advices from London. These advices, as given in the New York "Times," went on to say:

> In one of his rare press interviews—he has not talked thus for more than two years—Mr. Lloyd George, by his own expression still keen and vigorous, was asked what had been the Allies' greatest mistake in dealing with Germany after the first World War. Rather grimly and without hesitation, he replied:
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> "America. If they had kept to their bargaining instead of backing out and leaving the League of Nations, things would have gone differently."
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> With the blunt earnestness of his reply, he suggested that American statesmanship and public opinion would hold a broad international outlook after peace had been made. He held that the United States commitments to a potential world community would perhaps be the great stabilizer.
>
> On his own share in the prosecution of the gigantic war of a generation ago and in the shaping of destinies at Versailles, Mr. Lloyd George, who will be 82 years old next Jan. 17, was brusque and incisive: "If I had my part to do over again, I should do precisely the same—on the assumption that America would stand by her word."
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> He counseled the complete disarmament of Germany after this war, holding that it would be the only reliable means of exorcising the military spirit. He said that he thought this could be done without arousing mass resentment in Germany, intimating that it would show to what extent the German people had been dragooned into war by their masters. Good Germans, in his view, would welcome absolute disarmament, involuntary or otherwise.
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> Concerning post-war problems and probabilities generally, Mr. Lloyd George said that he did not wish to venture too far into the twilight haze of prophecy. Although agreeing that great changes were undoubtedly in store for most nations, he withheld comment on possible political, social and economic reorganizations of the future, except for brief reference to portents in his own land.
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> "There will be a big change in the unemployment situation in Great Britain, thanks to the Sir William Beveridge plan for lifelong social security," he said. "I think this will be adopted rather than the Government's White Paper on social security, which doesn't go far enough."

Message to A. F. of L. by Roosevelt Urges Workers Stay on Job to Shorten War

That "we can and we must stay unceasingly at the production job so as to shorten the war" was the assertion contained in a message by President Roosevelt on Nov. 21 to the American Federation of Labor, at its annual convention at New Orleans. At the same time the President told American workers that they have been discharging their "high duty in a very full measure," and "have done a production job the like of which the world has never seen before."

A message was also received at the convention from Gen. Dwight D. Eisenhower, which was read by Holt Ross, the Federation's delegate to the recent meeting of the British Trade Union Congress, who visited the general's headquarters, according to Louis Stark, who in special advices from New Orleans to the New York "Times" said:

General Eisenhower asked Mr. Ross to tell labor "that the job is not yet done. We are not through fighting, nor are they. We on the battlefronts, and they at the benches, in the mines and in the fields of America, must carry on until the enemy is completely defeated in battle. It is therefore your battle as well as ours."

The same note of the urgency to remain on the job was sounded by Mr. McNutt, who told the delegates that "Germany has not been beaten" and that "a long war with Japan looms ahead."

"For the Japanese, the end of the war with Germany will mean the beginning of Japan's all-out war with us," he asserted. "Psychology will fight for the Japanese—the psychology of good Americans—unless great American organizations like the AFL assume the responsibility, as they will, of pointing out the facts."

President Roosevelt's message to the convention, as given in the "Times," follows:

"Thank you very much for your sincere and cordial invitation to attend and address the 64th annual convention of the American Federation of Labor. I regret exceedingly that I cannot be with you in New Orleans, but the job of going ahead with the war makes it impossible for me to do so at this time.

"This war job is of first importance and concern to all of us, to American soldiers, sailors and marines, who are winning it on land and sea, and in the skies all over the world, to American workers, to American employers, and to American farmers.

"It is the task of us at home to leave nothing undone so that our fighting men may continue gaining their glorious victories on every front.

"We have been discharging that high duty in a very full measure. American working men and women have done a production job the like of which the world has never seen before. They have supplied our fighters with the finest weapons in record quantities, weapons with which they are beating the enemy and with which they will keep on beating him everywhere they meet.

"American employers with their ingenuity and drive and American farmers with their industry and patience have shared with American working men and women in getting so well done the job of producing the weapons, materials and supplies needed by American fighting men. We have all worked to that end and it has paid off in victories and the saving of lives. We can and we must stay unceasingly at the production job so as to shorten the war.

"I know that there will be no let-down in this task by any group of patriotic Americans, and I know that such cooperation will continue after the war is won so that we can win a peace for the world which will be just and lasting and in the interest of safety, protection and well-being of generations yet unborn.

"Please extend my greetings and best wishes for a successful meeting to those attending the annual convention."

N. Y. Industry Assn. Says St. Lawrence Project Should Be Regarded as Treaty, Not Agreement

With a hearing called on Nov. 21, on the Great Lakes-St. Lawrence canalization proposal by Senator John H. Overton, Chairman of the Subcommittee of the Senate Committee on Commerce, Secretary Thomas Jefferson Miley of the Commerce and Industry Association of New York, Inc., submitted a written statement supporting the view that the proposal should be regarded as a treaty between the United States and Great Britain. As opponents of the Great Lakes-St. Lawrence canalization project the Association expressed itself as interested in the hearing to discuss the question of whether the project is one that can properly be treated by agreement between the United States and Canada, or one which should be considered in the form of a treaty between the United States and Great Britain. With the unlikelihood of having a representative at the hearing, the Association submitted its view in writing with the hope that the sub-committee would deem it appropriate to incorporate in the record its views as thus presented.

In support of the Association's stand for the treatment of the project as a treaty, Secretary Miley gave six reasons. They are:

"1. The project was originally assigned by the United States and Great Britain to the International Joint High Commission, which was appointed jointly by this country and the Crown—not the Dominion, indicating that it was then considered to be a matter to be disposed of by treaty between the two sovereign nations.

"2. As late as July 18, 1932, the proposal was still regarded as a treaty subject. On that date a treaty was signed both by our Government and the Government of Canada, and was submitted to the Senate for ratification.

"3. In May, 1938, our State Department submitted another draft of document to the Dominion of Canada, in which the State Department specifically called the document a treaty.

"4. The character of the project has not changed since our own Government designated the proposed compact as a treaty.

"5. The proposed compact now under consideration commits this Government to substantial and permanent obligations to the British Empire. For example, it commits this Government to huge expenditures on a joint navigation project, nine-tenths of which, between the Great Lakes and the open sea, lies wholly within the boundaries of the British Empire and one-half of the remaining tenth of the distance also lies in British territory.

"6. The project surrenders to the British Empire a voice in the amount of water which the United States will be permitted to withdraw from Lake Michigan, which lake lies entirely within the United States.

"In view of all this," said Secretary Miley of the Association in his letter to Senator Overton, "we respectfully urge that the proposal be handled in the form of a treaty, and that the Senate be not deprived of its Constitutional right either to ratify or withhold its ratification as it has consistently done in the past."

Uruguay's Suggestions Regarding Dumbarton Oaks World Security Plan

What is termed the first official criticism of the Dumbarton Oaks world security plan by a small nation came on Nov. 9 from Uruguay, which proposed instead that the League of Nations be revitalized. Uruguayan Ambassador Juan Carlos Blanco presented the proposal to the other American republics at a meeting of Latin diplomats with E. R. Stettinius, Jr., Acting Secretary of State, it was indicated in Washington Associated Press accounts Nov. 9, which stated that the session was the third to be held on the general subject of Dumbarton Oaks' accomplishments

In later advices (Nov. 13) to the New York "Herald Tribune" from its Washington bureau it was reported that Mr. Stettinius asserted on that day that all but two Latin-American governments have expressed agreement with the basic objectives of the Dumbarton Oaks international security agreement. From these advices we also quote:

"Noting that suggestions on the plan by some Latin-America nations have been interpreted as attacking the Dumbarton Oaks plan, Mr. Stettinius told his news conference that the Southern republics are just as much in favor of a world organization as any country. El Salvador has not been asked for an opinion on the world security proposals, nor has Argentina, excluded because of its pro-Nazi Government.

"Mr. Stettinius told correspondents there had been some response from Latin-American nations on the Argentine suggestion for a meeting of foreign ministers of the American republics, but he did not disclose the nature of the response. He said he could not discuss the replies because the general exchange of views on the Argentine request has not yet been completed."

Argentina and San Salvador, whose present governments are not recognized by Washington, were not represented at the Nov. 9 session, at which the suggestion by Uruguay was presented, as to which the Associated Press had the following to say:

"The Uruguayan plan said it would be enough 'to introduce in the structure of the League of Nations . . . reforms which may be deemed expedient, in order that it be able to apply and satisfactorily fulfil' the promotion of world security.

"However, the memorandum continued, Uruguay would accept a new League if the old one could not be revived and modernized.

"The new League should 'make of the world a unit where law and order will prevail,' the statement declared.

"Doctrines of racial superiority and the use of force, the document added, should be repudiated by the new organization which should consolidate in itself 'respect for human dignity.'

"If a new organization is established, Uruguay declared its Executive Council should provide for 'no differences in prerogatives or treatment among members.'

"The memorandum added that 'under present circumstances, but on a temporary basis, the Uruguayan Government would accept' the arrangement that Britain, the United States, Russia and China have places on the organization's security council.

"The Dumbarton Oaks plan contemplates permanent places on the Council for these four nations.

"Normally, Uruguay suggested, nations should become members of the directing Council 'with identical rights through designation by the assembly.'

"Uruguay, it was stated, 'would consider with the keenest sympathy,' the inclusion of France on the Council, and would support inclusion of Latin-American nations 'which adhere to the ideals that inspire the international organization.'

"There was no explanation for the latter statement. However, Argentina has shown concern at being left out of the peace plan.

"The Council of the world organization should have specific rules to guarantee the rights of small nations, Uruguay declared.

"These possible rules were suggested:

"1. Requiring special majorities for important decisions.

"2. According nations not represented on the Council the right to have 'voice but not vote' in Council deliberations directly concerning them.

"3. Specifying beforehand the precise powers of nations on the Executive Council 'which will be elected by the Assembly.'

"4. Fixing the number of nations on the Council 'in order to avoid any contingencies contrary to the rights and personalities of the small nations.'

"The Dumbarton Oaks plan left unsettled the question of voting procedure on the Council, although it provided for six elected members, four permanent members at the start and 'in due course' a permanent place for France.

"Another of the points which Britain, the United States, Russia and China failed to settle at Dumbarton Oaks was how to liquidate the League of Nations and the mandates held under it. Theoretically, the old League still lives.

"Other points made by the Uruguayans:

"1. 'All differences, oppositions, or conflicts among nations, whatever their nature, must of compulsion be submitted to the international court of justice.' Dumbarton Oaks provided only for legal questions to be settled by the court.

"If the court were to fall into distinctions between political and juridical disputes, Uruguay maintained, 'it would not be appreciably advanced beyond the similar institutions created by the Versailles Treaty.'

"2. Uruguay is against 'a superstate with its own police force and other elements of coercive power.' It supports maintenance of military forces by all member nations 'in readiness for joint action whenever necessary.'

"3. The League should guarantee, 'even with arms, the integrity of the rights and the frontiers of nations which may be threatened or attacked.'

"4. The Pan-American system of cooperation should be incorporated in the world organization."

Up Special Delivery Fee To Canada

On Nov. 13 Postmaster Albert Goldman announced that information has been received from the Post Office Department at Washington that effective No. 15, to conform to the increase in the United States domestic special-delivery fees, the fee for special-delivery articles addressed to Canada weighing up to 2 pounds is increased from 10 cents to 13 cents. It is added that there is no change in the fees for articles weighing over 2 pounds up to 10 pounds, which is 20 cents and over 10 pounds, which is 25 cents.

Chicago Banks Provide For Small Business

Fifty million dollars has been made available by the Chicago Clearing House Association banks for loans to small business in the post-war period, it was announced on Nov. 16, by Howard W. Fenton, Chairman of the Chicago Clearing House Committee. This action by the Chicago banks is in line with the program of the Post-War Small Business Credit Commission of the American Bankers Association outlined at a regional meeting in Chicago. It is regarded as a major step in implementing the constructive work of the Commission. "The $50,000,0000 for lending to small and medium sized business concerns in the reconversion and post-war periods," declared Mr. Fenton, "is to assure adequate bank credit to every competent individual, firm or corporation in this area. If additional credit is needed it will be promptly provided." Mr. Fenton went on to say:

"Small business, which comprises 92% of all American enterprise, will have many new credit problems in the days ahead: war industries converting to peacetime production, large segments of business and industry recovering from the effects of priorities, rationing and manpower restriction, and business generally gearing its activities to new demands for goods and services.

"Every credit facility and lending technique will be employed by the Chicago banks in fulfilling their pledge to provide adequate credit to small business. Credit in the form best adapted to each particular business will be made available. This does not mean that the banks are going to make bad or reckless loans. Such loans are of no benefit to the borrower, the bank or the community. Providing ample credit for small business is no new story to bankers. In 1940, the last peacetime year of business, the records show that the banks of the United States loaned 39 billion dollars to 24 million borrowers. The average loan was $1,700. American banking is determined that small business shall live and be given the opportunity to grow and prosper. Financing business is banking business."

Canal Zone Study Group Of AIB Active

In the Panama Canal Zone, where members of bank staffs not only provide the same services offered in other modern American financial institutions, but also cope with a wide variety of languages and national customs, the value of instruction provided through courses of the American Institute of Banking of the American Bankers Association is recognized, say advices from the Association.

Ernest L. Slocum, instructor of the Cristobal-Colon Study Group, in a recent letter to Dr. William A. Irwin, Educational Director of the Institute, reported that 18 employees of the branches of The Chase National Bank of New York have recently completed the second part of the course in Fundamentals of Banking. He inquired as to other courses in which members of the bank staffs are interested and requested permission to enroll several persons outside of the working bank staffs in the courses. These prospective students are either business men or members of the Government's administrative staff. In earlier correspondence, Mr. Slocum, who is also Assistant Manager of the Cristobal Branch of The Chase National Bank of New York, enclosed several letters written by bank employees analyzing the benefits they had received from their study in the AIB group.

Annual Report of Secretary of Commerce and Industry Association

With a modernized format and a make-up streamlined to the latest in trade conceptions of an annual report, the Commerce and Industry Association of New York, Inc., issued on Nov. 18 the 47th Annual Report of the Secretary. Of manuscript size, the report is 54 pages, departmentalized according to the respective activities of the Association. In cover and text stock, it is stated, it meets with WPB's war-time paper conservation policy. In reporting on the year to President Neal Dow Becker, Secretary Thomas Jefferson Miley said:

"The Association has truly exercised its functions as 'The Voice of Business.' There has been no phase of endeavor, even national and international, where such affected New York City's business and civic welfare, in which the Association's voice has not been heard. For another year, in its 47 of existence, the Association has executed its civic stewardship in the fullest sense."

In local matters, Mr. Miley pointed to a savings to the taxpayers of $5,266,043, direct results of Association recommendations to the Finance Committee of the City Council and to the Comptroller. "Indications are," he said, "that by virtue of the Association's further watchfulness there will be a reduction of about 15 points in the tax rate which will save approximately $21,000,000 in taxes to property owners." Mr. Miley also says:

"Recognizing that the vast real property of New York City, representing capital investments approximating $16,000,000,000, was seriously affected by taxation, trade conditions and other causes, war-born in the main, a Property Owners Committee was organized under the chairmanship of Robert W. Dowling. Because of the expanding scope of the Committee's endeavors in the interests of zoning, taxation, city expenditures and so forth, the addition of a Property Owners Bureau is contemplated."

Despite the unpopularity of its stand, he said the Association "without prejudice as to the merit of the proposal" sought an opinion through the Courts on the legality of methods contained in the proposed referendum to grant a bonus to members of the Police and Fire Department. The Courts upheld the Association's stand that the referendum, as written, was contrary to law. "On the surface," he added, "the referendum was a warranted proposal. However, in effect, it would have been detrimental and costly to the people it was designed to benefit as well as to all other taxpayers. Our Bureau of Research estimated that the initial addition to the City Budget of $12,000,000 would have been but one-third of the ultimate minimum tax addition." Mr. Miley also had the following to say:

"Through the Association's leadership, concrete action toward alleviating the mounting operating deficit was taken for the first time in the hectic 40-year history of the transit system. Of paramount local concern is the transit system's rising $41,000,000 yearly deficit with the gradual deterioration of service and equipment. Following a special study conducted by our Bureau of Research, the Association activated a borough-wide Citizens Transit Committee under the chairmanship of Paul Windels, whose objective is a Transit Authority.

"An important phase of the Association's activities was a comprehensive study made of the 1943 Federal Revenue Bill. Many of the recommended reductions were adopted. The Association played a leading part in actively cooperating with the Government's war agencies and with private industry. Through our Industrial Bureau's War Contracts Division, millions of dollars worth of war work was obtained, resulting in direct benefits to the city and its citizens. Realizing that the peak of war orders is passing, the War Contracts Division has already instituted a new program for the coming year. This program has two phases. One is to persuade large manufacturers to place subcontracts with New York plants for service or replacement parts for machines now in use. The second phase is to encourage large out-of-town manufacturers to utilize the subcontracting facilities of New York City plants in speeding up their reconversion program immediately upon the cessation of hostilities. As a direct service to our membership and to industry at large, the Association has had heads of the leading war agencies clarify plans, policies, rules and directives in connection with such problems as contracts, manpower, contract termination, reconversion, labor stabilization, wage incentive plans, foreign trade, veterans reemployment and civilian requirements.

"As a result of the work of the War Contracts Division, many of the city's small businesses, otherwise bypassed, have been able to stay solvent. To complement the work of the Industrial Bureau, an Industrial Relations Bureau was established dealing with industrial relations and personnel management in all their aspects. It has ably demonstrated the need for such a specialized service. Enabling policies it has set up have been accepted nationally.

"Continuing its efforts to obtain improvements in export controls, during the war, and the resumption of normal private trade in the post-war period, the Foreign Trade Bureau presented numerous specific recommendations to various government agencies, particularly FEA and OPA. As a result, definite action was taken by the Government toward closer coordination of, and in operation of, its various agencies with whose activities the business community is directly affected.

"With governmental orders and restrictions regarding transportation constantly changing due to war conditions, the Transportation Bureau was alert to analyze governmental orders, directives and so forth. Congressional legislation which would have been detrimental to the interests of New York was closely followed. Of signal importance was the Association's marshalling of widespread opposition to freight rate legislation affecting all northern and mid-western industries. The work of this Bureau, through its Manager, has been closely coordinated with ODT, the Maritime Commission, the War Shipping Agency and the Civil Aeronautics Board.

"While continuing its many efforts to further the war effort, foresightedly, the Association has planned for the peace. That the 25-member Post-War Planning Committee planned well is attested by the national and international recognition accorded its 46-page report, 'Winning the War and the Peace,' a program of legislative action. The report, the result of 18 months closely coordinated study by the Committee members, all leaders in their respective fields of national endeavor, was compiled and edited by the Committee Chairman, Dr. Fred I. Kent.

"Invaluable from a time-saving point of view to the business man has been the service of our Legislative Bureau in its reviews and digests of Federal, State and city bills, resolutions and new laws. Indicative of its work during the fiscal year was the review of 6,901 bills, resolutions and laws. In addition, our Committee on State Legislation substantially contributed to the enactment of legislation favorable to commerce, industry and the public welfare.

"As a service to the public to keep abreast of the complexities and the mounting tenor of business, the Association conducted a weekly business forum over Station WMCA. This public forum is now in its third year and was instituted because the Association believes that business is the foundation of American democracy. It is upon the welfare of business that the welfare of every citizen and his family depends. The Association is dedicated to advancing the welfare and the trade of New York City."

Savings Banks October Deposits Increase

A gain in deposits of $87,050,301 in October, second largest monthly gain of the year to date, brings the total amount due depositors in the mutual savings banks of New York State to another new high of $6,896,904,925. This deposit gain was accompanied, according to figures released by the Savings Banks Association, by a gain in the number of depositors of 23,768, bringing total accounts open to 6,457,478. The advices from the Association further stated:

The October gain of $87,050,301 is to be compared with gains of $33,398,836 and $10,090,932 in October 1943 and 1942 respectively, and a deposit loss in October 1941, shortly before the declaration of war, of $21,385,635.

Since Pearl Harbor the 131 New York State savings banks have shown a net gain of 469,000 depositors and $1,464,000,000 in deposits, a tremendous reservoir of new savings, some of which will go into building and home modernization when building is resumed. A survey conducted last year for the savings banks by Elmo Roper indicates that 24.6% of the people who are putting money into savings plan to use it within five years' time for building, buying or remodeling homes. An additional 9% said they wanted more things for better living and to replace worn-out equipment.

Salvage Mutilated Currency

An interesting move in the direction of conservation of vital raw materials is the plan for salvaging of worn and mutilated currency, bonds and stamps announced on Nov. 21 by C. A. Dickerson, head of the Paper and Paper Products Division of Treasury's Office of Surplus Property. The Treasury Department's announcement adds:

For many years, worn and mutilated currency, bonds and stamps have been destroyed by incineration. The Treasury Department is installing new machinery which will macerate the old currency and by this process make available for re-use aproximately five tons of high grade pulp a day, which according to Treasury officials will add to the short supply of raw materials.

Mr. Dickerson further announced that his office is now ready to negotiate a contract with interested parties for the purchase of this pulp. He stated that sufficient time will be allowed for closing a contract so that all interested parties may make contact with his office in Washington.

Davis, Taylor and Graham Yield to President's Request to Remain as Public Members of WLB

Three of the four public members of the War Labor Board, viz., William H. Davis, George W. Taylor and Frank P. Graham, who it was made known on Nov. 13, had asked President Roosevelt to relieve them of their duties at the conclusion of current wage deliberations, have acceded to the request of the President to withhold their resignations until "the elimination of Germany from the war." The White House statement of Nov. 16, indicating this, said:

"The President announced that he would not accept the resignations of Chairman William H. Davis, George W. Taylor and Frank P. Graham, three of the public members of the War Labor Board.

"He stated that he appreciated the reasons which caused each of these gentlemen to wish to leave the service but he had requested them to remain and they had agreed to stay until the elimination of Germany from the war, or at least until such time when they could leave without seriously affecting the work of the organization."

Mr. Davis said on Nov. 13 that he had submitted his resignation—to be effective on Jan. 10, if possible—on his 65th birthday, Aug. 29. According to the Associated Press, Mr. Taylor, former General Motors labor umpire and Economics Professor at the University of Pennsylvania, submitted his resignation on Oct. 19, hoping to be relieved by Dec. 1, he disclosed. Dr. Graham, President of the University of North Carolina, sent his letter of resignation on Oct. 9, to be effective at the conclusion of the present wage discussions.

From the Associated Press we also quote the Board at the moment is in the midst of one of its most important phases—preparing a report to the President on the status of the wage-earner in the face of increased living costs and determining scores of other demands of more than 2,000,000 workers, mainly CIO members.

The AFL and CIO both have urged the Board to recommend abandoning the Little Steel formula, which limits wage increases to 15% above the level of Jan. 15, 1941. The labor groups insist that living costs have soared as much as 45.3%.

The Board decided in October it would not make any recommendation and the two AFL members refused to participate further in those particular discussions.

Mr. Davis, as Chairman of the President's Special Cost of Living Committee, has been preparing a separate report on this question, and hopes to send it to Mr. Roosevelt by tomorrow.

While Lloyd K. Garrison would be the only regular public member left on the Board after departure of Davis, Taylor and Graham, and thus might succeed to the Chairmanship, there are these alternate public members who might be named to full membership by the President:

Lewis M. Gill, former Chairman of the Cleveland Regional Board; Dexter M. Keezer, former President of Reed College, Oregon; Edwin E. Witt, Professor of Economics, University of Wisconsin, and Nathan P. Feinsinger, Professor of Law at the University of Wisconsin.

Other members are four labor representatives and four management men. With the Board makeup, the controlling voice on momentous decisions often has been that of public members.

Twohy Sees Federal Home Loan Bank System Triple in Size 10 Years After War

Indications are that member savings and loan associations of the Federal Home Loan Bank System will triple in size in the first ten years after the end of the war, James Twohy, Governor of the System, said on Nov. 4. At present, those 3,700 specialized home-financing institutions hold resources of approximately $6,000,000,000, including mortgages totaling more than $4,000,000,000 he reported.

"If they meet their opportunities for service to home buyers in the decade after the war—and assuming that the nation's economic machine is operating at near capacity—such a projection of growth for those thrift associations is entirely reasonable," Governor Twohy said. He likewise stated:

"Nearly full employment during that period would mean a national income of at least 125 billion dollars annually. On that basis, savings would rise to unprecedented totals. Traditionally organized to receive and invest the surplus earnings of people, thrift associations can count on a large share of these savings and, at the same time, a greatly broadened home mortgage outlet for investment of the funds.

"After the war, in my opinion, home construction will be among the first of our economic activities, if indeed not the actual pacesetter. The first post-war decade may come to be known as the home-building era, as in the past 75 years we have had the successive periods of railroad development, highway construction and the popularization of the automobile. . . .

"Many projections of the housing need have been made, ranging from one to two million dwelling units annually over the next ten years. Under the GI Bill alone, whereby the veteran can receive 100% financing at a rate as low as 4%, with payment spread over 20 years, it has been estimated that from ten to twenty billions of dollars in home mortgages will be used.

"Member savings and loan associations of the Federal Home Loan Bank System have expanded their holdings of cash and government bonds from $288,000,000 at the end of 1940 to $1,500,000,000 on June 30, 1944. Reserves and undivided profits increased from $304,000,000 to $431,000,000. Savings associations are now dedicated to national war needs — the sale of Series E War Bonds and stepping up their programs of buying government bonds for investment. But at the same time they are building their liquid resources to meet the hugely augmented demand for home loans that will be upon them after peace returns."

Vatican City Packages

Postmaster Albert Goldman calls attention on Nov. 13 to the regulations concerning the mailing of gift packages to addressees in Italy and Vatican City State which provide that for the present the mail service for packages is restricted to those addressed for delivery to Rome City, Naples City and Palermo City, Italy and Vatica City State. The announcement adds:

"Since the mail service for packages was established, it has been necessary to return a great number of parcels to the sender because they were addressed to places in the Provinces of Rome, Naples and Palermo outside of the cities mentioned above."

Post-War Tax Changes Proposed by Commerce And Industry Association of New York

(Continued from first page)

corporation income tax and the excess profits tax, while it continues in effect, should be the only taxes imposed directly on corporations. Any taxes in the nature of franchise taxes should be left to the states, under the laws of which corporations are licensed, and any approach toward a Federal licensing system for corporations should be avoided.

"2. **Excess profits tax**—Following the Association's policy that the cost of the war should be borne through current taxation to the greatest extent practicable, your Committee recommends that the excess profits tax should not be repealed until the cessation of hostilities. At that time the tax should be repealed outright and not be allowed to linger, as after the last war, even at reduced rates.

"Assuming that the excess profits tax will be repealed outright after the termination of hostilities, it is the recommendation of your committee that, meanwhile, immediate consideration should be given to removing inequities in the present law and to reduction of rates commensurate with any reduction in expenditures.

"To avoid complications in computation of the tax, your committee recommends that the repeal of the tax take effect at the close of the calendar year in which hostilities cease for corporations operating on a calendar year basis, and that for corporations on a fiscal year basis the repeal take effect at the close of their fiscal year following the cessation of hostilities.

"The unused excess profits tax credit provision was included in the law to protect the taxpayer against great variations in year to year earnings. In order to maintain this protection it is recommended that the provisions permitting unused excess profits credits to be carried back for two years should be retained even after the repeal of the excess profits tax, and that taxpayers be permitted to use their unused excess profits credits just as though the excess profits tax continued in effect.

"Section 722 of the Internal Revenue Code, providing relief against cases of hardship, has become enmeshed in a mass of technicalities. Your committee recommends that the principle of arriving at a constructive normal base period net income should be given effect, freed of the arbitrary and technical rules now in the statute and regulations. Further, the committee recommends that there be vested in the Tax Court the power of final determination of the measure of relief in reviewing the action of the Commissioner of Internal Revenue.

3. **Corporate tax base**—Income derived by stockholders is now taxed twice—once when the corporation pays a tax on its earnings, and again when the earnings are distributed among the stockholders as dividends. In order to avoid this duplication so far as practicable, it is recommended that the normal tax rate on corporate income be fixed at a rate equal to the rate of normal tax upon individual incomes, say 20%, and that dividends be free of normal tax to the individuals receiving them. Thus, the stockholder would, in effect, be credited with the corporate tax which will be treated as having been paid in his behalf. This would be equivalent to a withholding tax, on behalf of the stockholder, on corporate net income paid out in dividends, to the extent of the normal tax, leaving only surtax to be paid by the stockholder.

"The suggestion that some corporations be given the option to be taxed as partnerships appears impracticable from the standpoint of administration, except in cases in which the consent of the corporation and of all its stockholders can be obtained. In such cases the privilege might well be granted.

"It is the opinion of your committee that no credit against tax of a stated per cent of the cost of new plant and equipment should be allowed, since the determination of what is "new plant and equipment" will not make for simplification in either the statute or the regulations, and such credit might involve unfair discrimination against existing plants.

"On the other hand, the committee believes that the practice with respect to depreciation and amortization should be liberalized. Adequate annual depreciation rates should be allowed. The ability to amortize assets rapidly provides a stimulus for the purchase of new and more efficient equipment. Also, adequate tax deductions should be allowed for accumulated deferred maintenance and repairs which were not taken care of due to the inability to obtain material and labor during the war period.

"The taxing of income on an annual basis works hardship with respect to business incomes which fluctuate from year to year. This type of taxing results in a heavier tax burden over a period of years for such irregular incomes than for incomes which are stable. The present carryback of losses for a two-year period should be continued and the period for carrying forward one year's losses should be lengthened, in your committee's opinion, from the present two-year period so as to apply against subsequent earnings for a period of four or five years.

"Your committee recommends that the Association continue its position in favor of the repeal of the tax on intercorporate dividens and of the 2% differential for consolidation of corporate tax reports; and oppose any taxation of undistributed profits.

"4. **Corporate income tax**—Your committee recommends that the Association oppose graduated income tax rates on corporations, and that corporations be subject only to a flat rate corporate income tax.

"5. **Foreign business**—In order to stimulate foreign trade and American influence abroad in the post-war trade, your committee recommends that the Government adopt a tax program which would give favorable tax rates to income from foreign business. For example, the benefits now conferred by law on corporations deriving substantially all their income from foreign business might be proportionately extended to corporations deriving a substantial part of their income from abroad.

B. Individual Income Tax

"The Association has, in the past, advocated the lowering of individual income tax exemptions, which has been effected, in order that the Government might reach, through taxation, a large number of persons not previously taxed for the support of the Government. In your committee's judgment a tax on individual income is less deterrent in its effect upon production and the flow of venture capital than taxes upon corporate profits, provided that the tax rates on the upper-income groups are sufficiently lightened to give encouragement to risk-taking, and that the tax rates on the lower-income groups are not so high as to limit consumer markets unduly. Your committee is not in a position to recommend a specific schedule of suggested personal income tax rates. However, your committee recommends that, at the cessation of hostilities, the existing graduated surtax rates should be substantially reduced with a top limit on surtaxes on individual incomes of 50%.

"Your committee further recommends that:

"(1) Personal exemptions should be raised to the extent of eliminating the present 3% normal tax which allows no credit for dependents. The present exemptions for the regular income tax of $500 for each taxpayer and for each dependent should be retained.

"(2) The present combined tax of 23% for the lowest bracket of taxable income should be replaced by a single tax of 16 to 20%, depending upon revenue requirements. This rate would then be geared in, as suggested above, with the normal tax rate for corporations in order to avoid the double taxation of corporate dividends.

"(3) Tax rates on incomes above the lowest taxable bracket should be substantially reduced throughout the range.

C. Sales Tax

"During the war period the supply of civilian goods decreased and the civilian demand increased, resulting in an inflationary threat to our economy. Your committee has recommended and this Association has advocated the imposition of a sales tax to close the inflationary gap. If a sales tax were enacted, it would probably not become law until some time after the close of hostilities with Germany.

"At the cessation of hostilities with Germany the production of civilian goods will be resumed and the threat of inflation from this source will be materially decreased. A sales tax, being a deflationary measure, would be harmful at a time when industrial and business enterprise is looking for an increase in production and the creation of new and greater civilian markets. Your committee, in the interest of higher employment of men and production facilities immediately after the close of hostilities, recommends that the Association oppose the enactment of a sales tax so long as the present base for income tax is maintained.

D. Taxation of State and Local Securities

"Your committee recommends that on all future issues the Federal Government tax state and local securities, maintaining the position heretofore taken by the Association.

E. Inclusion in the Tax Base of the Annual Net Rental of Owner-Occupied Homes

"In order to encourage the building and ownership of homes and to avoid administrative difficulties, your committee recommends that the annual net rental value of owner-occupied homes should not be included in the tax base.

F. Capital Gains and Losses

"The capital gains tax is a direct and unwise restriction upon the private enterprise system. It serves to destroy incentive and prevent freedom of transfers necessary to keep the investment portfolios of the nation in a sound condition. Furthermore, in the long run, the receipts from this tax are not an important item of government revenue. Your committee recommends the abolition of the tax and, pending its repeal. favors an immediate reduction of the tax to a flat rate of 12½%, similar to the tax in force in 1921, accompanied by a 12½% allowance of capital losses as an offset against ordinary income.

G. Social Security

"Social Security is not properly a part of the tax structure. Your committee reaffirms its position in opposition to the imposition of increases in payroll taxes for social security purposes at this time. In addition, your committee recommends that the existing rates be continued, and that the automatic increases effective Jan. 1, 1945, be suspended while the taxes are in excess of current requirements. Further, it is the recommendation of your committee that there be no federalization of the unemployment insurance program and that, prior to the extension of the social security program or changes in the method of financing, there be a Congressional investigation to review and study the problem of extension and financing of the Old Age and Survivors Insurance program.

H. Excise Taxes

"Approximately two billion dollars are collected by the Federal Government annually in sundry excise taxes. Your committee recommends that excise taxes be reduced in the post-war period to a point which will not force an increase in the income tax rates. The questions of retention, abolition or reduction of excise taxes or their rates should take into consideration: the deflationary tendency of the tax; its optimum point of productivity of revenue; its nuisance effect, and its adverse effect on industry and employment.

I. Estate and Gift Taxes

"Your committee subscribes to the recommendations of the Kent Post-War Report, viz., (1) that the present exemption of $60,000 for estate taxes should be increased to $100,000, and that the rates be materially reduced; (2) that the gift tax be more clearly differentiated from the estate tax by taxing gifts at rates sufficiently lower than estate tax rates to encourage lifetime giving; and (3) that gifts made more than two years before death be freed of any question of having been made in anticipation of death, and, further, such gifts made within two years of death should be so freed unless the Government can prove that they were made for the purpose of avoiding inheritance taxes.

J. The Public Debt

"It is estimated that at the conclusion of the war the national debt will amount to three hundred billion dollars. Your committee recommends that the Association advocate that proceeds from the sale, lease or disposal of war salvage, excess war equipment and government-owned war plants should be applied directly against debt reduction, and that commencing lot later than two years after the cessation of hostilities the Government should provide for the reduction of the debt at the rate of not less than 1% a year. Surplus revenues should be used to reduce the debt, and if the national income will allow, the amortization of the debt should be at a rate greater than 1%.

K. Stability, Simplification and Integration of the Tax System

"The tax structure and tax programs should, in the opinion of your committee, be established, so far as possible, on a permanent basis. Changes in income tax rates which might become necessary should be made in the normal tax rather than in surtax rates. Any increase in tax rates should be made effective for the following taxable year and should not be retroactive.

"Simplification of the tax system is essential to enable business to expand. The administrative regulations should be clarified, and procedures relating to tax questions should be simplified so far as practicable, particularly with respect to refunds of overpayments, coordination of settlements of income and of excess profits taxes, etc.

"Your committee recommends that the Association favor the appointment of a Congressional committee to study the coordination and integration of Federal, State and municipal taxation. Burdensome double and simetimes triple taxation is unfair and not in the public interest. Any breaking down of the fiscal powers of the States through Federal encroachment should be opposed.

"A prime requisite for the coordination of taxation on the three levels of government is the establishment of a stable Federal fiscal policy based upon economy in government and financed by a balanced budget.

"Committee on Taxation and
Public Revenue
"Laurence Arnold Tanzer,
Chairman."

Members of the committee: Laurence Arnold Tanzer, Tanzer & Mullaney; George E. Cleary, Root, Clark, Buckner & Ballantine; Ray R. Dobson, George Rossetter & Co.; H. B. Fernald, Loomis, Suffern & Fernald; Charles W. Gerstenberg, Chairman of Board Prentice-Hall, Inc.; Laurence Graves, George Lange, Asst. Secretary Consolidated Edison Co. of New York, Inc.; Godfrey N. Nelson, J. W. Oliver, Secretary, The Linen Thread Co., Inc.; Paul L. Peyton, Breed, Abbott & Morgan; Martin Saxe, Saxe, Cole & Anderson; William J. Schieffelin, Walter A. Staub, Lybrand, Ross Bros. & Montgomery; O. A. Taylor, Vice-Pres., S. H. Kress & Co.; Wilmer D. Zirkle, Zirkle, Breden & Co.

Labor Dept. Reports on Factory Workers Hours And Earnings in Sept.

Wage earners in manufacturing industries worked a slightly longer week in September, 1944, than in September last year, indicating that the observance of Labor Day as a holiday was not as widespread this year, Secretary of Labor Frances Perkins reported on Nov. 22. "The hours worked per week averaged 44.9 in September, only slightly less than in August," she said. Miss Perkins added:

"Although each of the durable-goods groups reported a shorter work-week, all but three of the non-durable groups had longer weekly hours in September than in August. Many plants in the civilian goods industries, and in industries which are now reconverting to the manufacture of civilian goods, reported holiday work. In the latter group are such industries as sewing machines, typewriters, clocks and watches, and motorcycles, bicycles and parts.

"This widespread work on Labor Day accompanied by the premium payments is reflected in the 1½% increase in gross hourly earnings to a level of $1.03. Although increased earnings were reported by each of the major manufacturing groups, the extent of the increase varied considerably. The largest percentage increase was reported by the apparel group which regularly increases production in September.

"Weekly earnings in manufacturing industries averaged $46.25, compared with $45.86 in August and $44.39 in September of last year. The increase in weekly earnings over the year reflects a slightly longer work-week, coupled with an increase in gross hourly earnings of almost 4 cents.

"Anthracite miners worked, on an average, slightly less than 40 hours per week, earning $47.45. Average weekly earnings in bituminous coal mines amounted to $50.95, $3.50 more than in anthracite mines, for a work-week of 42 hours. Earnings in both coal mining industries reflected the payment of time and one-half for work done on Labor Day as permitted under Executive Order 9240."

Recalls Progress of Social Reform Movement

(Continued from first page)

that steady income was necessary to men and women who through no fault of their own were temporarily out of employment. We learned too that the care of the young; that the maintenance of the home; that some kind of provision for maternity care; that some kind of provision for keeping dependent children with their mothers on what we used to call the Widows' Pension System, was possible and that it could be endowed by a 2% tax, or even a 3% tax on the payrolls of the country, and so we have developed a way by which the money is made and turned over to be put into a fund for that specific purpose—prevention of poverty.

"We have learned through experimentation that it doesn't pay in a great, rich country like this to deplete the health and vigor, and intelligence of our people and our children by too long hours of work, or by rates of pay which are so low that they keep the wage earner from being a purchaser in the market of an enterprising system which has as its characteristic a tremendous mass production.

"We have learned that wages must be maintained at least to the point where the wage earner can buy as the result of work that he has done, and the wages that people earn should not only be enough to sustain themselves, but enough to be a good market for the production that comes off our mass production lines — not only of automobiles and washing machines, but of just the common, ordinary things of everyday life, the canned goods, clothes and all that sort of thing. We have learned that that is the sort of economy we can have and that we had better have in America if we are all going to keep ourselves happy and prosperous, and progressive, and if we are going to develop in the future the kind of culture we want and know we can have. Then, of course, we must not forget, even though we have done so well in the early part of the twentieth century, that we have only begun and that we have the future ahead of us. A great many things still need to be corrected in our life in this country. There is still inadequate education; inadequate public health care; inadequate treatment and protection for those who are feeble-minded or crippled, or unable to scramble for themselves. In the field of life this is all over the country. We must find the way. It is a part of your duty to find the way by which this slack can be taken up and shall be taken up, and by which we can apply the remedies we already know on a broader scale."

Turning her attention to social reforms in the future, Miss Perkins remarked: "We have got to find, and find soon, some way to make good medical care accessible to everyone who needs it and that not only by money endowments, but by actual location of doctors and hospitals and nurses in areas not now so served by their beneficent and healing ways.

"We have got to develop a new type of education, and as Dr. Goodykoontz so well knows, and ably said, and as you in your Town Hall adult education have so well demonstrated, we have got to make more realistic education available to more people. This is for our country and now we are already engaged in a great enterprise of extending our philanthropy. This is real work. Extending our brotherly love to the whole world and saying that what happens in Poland; what happens in Indo-China; what happens in the islands of the Pacific; how people live there; whether they are warm and clothed; whether they have access to health and culture, and what internationalism is going to be also matters to us, but it is but an empty phrase if it results only in political instruments of keeping the peace and security. It should result in philanthropic instruments of bringing the world together so that men will love each other and so that you and I can live in peace; so that in time to come we will not have to shudder over the troubles of the men, women and children in Poland exactly as we do today when it is publicized, and we see their pictures.

"We must know that poverty anywhere is a threat to prosperity and civilization everywhere. That is really what it means!"

N. Y. Board of Trade Petitions Senators For Defeat of St. Lawrence Waterway Project

Opposition to the St. Lawrence Waterway and Power Project has been voiced anew by the New York Board of Trade, its President Matthew G. Ely, having in telegraphic advices Nov. 20 to Senators Wagner and Mead, of New York State, and Senator Overton, in charge of the St. Lawrence project in the U. S. Senate, reiterated the objection of New York business to the project. Stating that "New York Board of Trade respectfully petitions for the defeat of any and all legislation designed to construct St. Lawrence Waterway and power project," the telegram added:

"This Board, organized 1873, has approximately 1,500 members representing accurate cross section of business both large and small centered here in New York. This project, which would cost at a minimum one-half billion dollars, may ultimately cost twice that amount. It could not possibly help in the war effort. On the contrary it would divert men, materials and money. Ports along Atlantic which are successfully servicing our armed forces and Allies would be seriously crippled by a part-time facility clogged with ice for four months and our whole co-ordinated system of rail, water, highway and air transportation would suffer. We cannot strengthen our position in post-war by undermining existing foundations of strength."

In his comments in the matter Mr. Ely said:

"It is no military secret that the Port of New York has rendered a magnificent war service. The flow of men, material and supplies to our own forces, and to our Allies, has been a miracle of waterborne transportation. Particularly, in the Port of New York the co-ordination of rail and keel, of trucks and planes, lighters and car-floats, docks and warehouses—and especially of stevedores and 'longshoremen—has changed world history, in the triumph of democracy over the Nazis.

"The canalization of the St. Lawrence Waterway to be used largely by tramp steamers, of foreign registry, will definitely hurt the Port of New York. Not that all the traffic will be diverted, as that would be entirely impossible, but it would be a 'thorn in the side'—'a festering sore,' disturbing rate structures, diverting a little here and a little there and just about as useful as a leaking valve on a fine new balloon tire.

"And, American business will be asked to pay an exorbitant price for this unneeded and aggravating facility. In our war effort a sum ranging from one-half to one billion dollars is relatively small, but in the post-war era that will seem an extravagant sum to pay for something that we do not need, and that will only continue to plague us and be of advantage to our competitors."

Secretary of State Hull Resigns— Stettinius Named His Successor

The resignation of Cordell Hull as Secretary of State, submitted to President Roosevelt, because of ill health, has been accepted with great and deep regret the President announced in a talk with newspaper men on Nov. 27.

In making known the resignation of Secretary Hull the President announced that Edward R. Stettinius, Jr., Under Secretary of State, has been nominated as Secretary.

Mr. Hull, who is 73 years of age, has been ill in the Navy Hospital at Bethesda, Md. since some time in October. The President has requested that Mr. Hull defer his resignation until Jan. 20, "which is the end of our third term." At the same time the President in his letter to Mr. Hull says that "incidentally, when the organiaztion of the United Nations is set up, I shall continue to pray that you as the father of the United Nations may preside over its first session."

In Associated Press accounts from Washington Nov. 27 it was stated:

The Chief Executive declared that Mr. Hull's doctors told the Secretary, and Mr. Hull felt, that his complete recovery from a long illness would be retarded if he continued to bear the responsibilities of his Cabinet portfolio.

Mr. Hull feels, Mr. Roosevelt reported, that it also would not be right for the country if he were to remain on the job.

The President noted today that Mr. Hull was coming along all right physically but that it was a long process of recovery. He recalled that it was necessary two or three years ago for the Secretary to spend several months in Florida.

He had to think of the Secretary's recovery and take official responsibilities off his shoulders.

In reviewing the activities of Mr. Stettinius, Associated Press advices from Washington Nov. 27 said in part:

Mr. Stettinius, now 44, at 43 had been Under-Secretary of State just over a year, and it seems virtually certain that the Senate will agree with the White House that he can take the place of Cordell Hull.

In his year at the State Department he has reorganized administration, dashed to London and back on a diplomatic mission, and headed negotiations with other Governments on organizing the world for peace.

The Dumbarton Oaks security plan is his prime interest now and it has top priority on the State Department list of jobs to be done.

"Stet," as his colleagues call him, came to the State Department from lend-lease, which he organized and got rolling as administrator. He has held a number of other responsible positions in Roosevelt Administrations. In 1940 he joined the Council of National Defense. Later he was active in preparations to mobilize American industry. Then came the Office of Production Management — the War Production Board's predecessor.

Before that, in 1936, he had reached one of America's top industrial posts—Chairman of the Board of the United States Steel Corporation, and that when he was 38.

"Stet" considers himself primarily a business man, and that's the way he has worked in the State Department. Before he ever went into the world of Wall Street, he wanted to be a preacher.

When young "Stet" was at the University of Virginia he used to go out in the backwoods to bring enlightenment to hillbillys. Another way he thought up to carry out his social urge was to found a one-man employment agency for his fellow-students.

Scooting about Charlottesville in his rattle-trap car he made such a success of the venture that it came to the attention of John Lee Pratt, then a Vice President of General Motors and now a special consultant at the State Department.

Mr. Pratt talked him out of the ministry and into a job as stock room attendant at the Hyatt Roller Bearing Works. The pay was 44 cents an hour.

Three years later he stepped up to a white collar job as Pratt's assistant and not long afterward became Vice President of General Motors.

Big business was not new in Stettinius' family—his father was a partner in J. P. Morgan & Co. But Stettinius Senior refused to raise his sons in the Long-Island-Connecticut-Harvard-Wall Street pattern.

In his letter of resignation to the President, Secretary Hull said:

My dear Mr. President:

It is with inexpressible disappointment that I find it necessary, for considerations of health, to retire from public service.

I, therefore, with utmost regret tender herewith my resignation as Secretary of State.

It is a matter of special satisfaction to me that throughout my almost 12 years at the Department of State, our personal relations have been uniformly and invariably agreeable and that, by our joint efforts, many difficult tasks growing out of the foreign relations of this country before and during this war have been brought to partial or full completion; many great questions have been faced successfully; and many forward movements of surpassing importance to friendly relations among nations have been instituted.

As the war draws to a close there remains a vast area of complex and difficult conditions and problems which must be dealt with in the months and years immediately ahead.

It is a supreme tragedy to me personally that I am unable to continue making my full contribution to such great international undertakings as the creation of the post-war peace organization, the solution of the many other problems involved in the promotion of international co-operation, and the final development of a full and complete structure of a world order under law.

When I recover my strength, I shall individually be always at your service in every possible way. Sincerely yours,

CORDELL HULL.

President Roosevelt's reply follows:

My Dear Cordell:

Your letter of this afternoon has hit me between wind and water. It has been very sad for me even to contemplate the ending of our close relationship during all these 12 years. It is not merely that our personal relations have been so uniformly and invariably agreeable, or that our joint work has borne true success in so many fields, as it is the personal feeling of not being able to lean on you for aid and intimate interchange of thought.

This is especially true because we have come so far along the road of friendly relations among nations that I have counted so much on your help in carrying this work through the final stage of complex and difficult conditions which still face us.

Your health is honestly my first thought, and I am really confident that you will be on your feet again in a relatively short time, even though you are limited to special tasks and avoid the daily routine of department work. As of today, therefore, you must devote all your thought to getting back on your feet, and on this all your friends will join in helping.

I will, of course, accept your resignation as Secretary of State if you want me to do so. But I wish you would, as an alternative, allow me to accept it as of Jan. 20, which is the end of our third term. Perhaps sentiment enters into this suggestion a little bit, but it would give me great satisfaction if we should round out the three terms. That means two months more, and during that time I could see you from time to time and get your advice on some of the things that will come before us.

Incidentally, when the organization of the United Nations is set up, I shall continue to pray that you as the father of the United Nations may preside over its first session. That has nothing to do with whether you are Secretary of State or not at the time, but should go to you as the one person in all the world who has done the most to make this great plan for peace an effective fact. In so many different ways you have contributed to friendly relations among nations that even though you may not remain in a position of executive administration, you will continue to help the world with your moral guidance.

With my affectionate regards, as ever yours,

FRANKLIN D. ROOSEVELT.

Christmas Greetings As First-Class Mail

Postmaster Albert Goldman called attention on Nov. 7 to information received from the Post Office Department, Washington, D. C.: "That because of the many advantages that will result, mailers should be urged to send their holiday greetings at the first-class rate of postage, explaining that when so sent the greetings may be sealed and contain written messages not otherwise permitted, therefore having a personal appeal which is, of course, more highly appreciated by the recipients that such greetings are dispatched and delivered first, given directory service, and, if necessary, forwarded without additional charge; also, if undeliverable, they are returned without charge providing the sender's return card is shown on the envelope."

The Post Office Department adds:

"On the other hand, printed Christmas greetings mailed in unsealed envelopes at the third-class rate which cannot be delivered as addressed, because of the removal of the addressee or for some other reason, must often be destroyed as waste, thereby causing disappointment. Greetings mailed at the third-class rate are not entitled to the free forwarding privilege accorded those mailed in sealed envelopes at the first-class rate and, consequently, the senders in many cases never know that the greetings were not received by the addressees. This would not occur if the greetings were mailed sealed at the first-class rate."

[A previous release by the Postmaster on the subject of Christmas greetings for overseas appeared in the "Chronicle" of Nov. 9, page 2060.]

Senator George Favors Lower Post-War Taxes and Start on Reducing Public Debt

Lower post-war taxes and an immediate start on reducing the public debt when peace comes was called for by Senator George (Dem.-Ga.) on Nov. 21 and, according to the Associated Press, he foresaw a definite possibility of lowering levies, beginning to pay the debt, and keeping the budget balanced, all at the same time. These press advices from Washington, as given in the "Wall Street Journal," also said:

"High taxes," the Senate Finance Committee Chairman said, "will act as a definite brake on any high level of business activity in the post-war period. As we approach the end of the war, we will see the absolute necessity of easing the tax burden to prevent its serving as a brake."

Payments on the public debt, Mr. George said, would indicate to business, better than anything else, the direction the Government may take after the war.

"If we are in earnest about no deficit spending," he said, "we have got to prove it by meeting expenses from revenues, and beginning to reduce the debt immediately after the high expenditures for war are over."

The Senator went on to survey the Government's financial outlook, on the basis of the best analyses available to a special Senate Post-War Planning Committee which he heads.

"The minimum possible budget in the immediate post-war period," he asserted, "would be somewhere around $16 billion or $17 billion. That presupposes the most rigid economy in Government.

"The maximum probably would run up to $21 billion or $22 billion. Any budget as high as $20 billion would, I should think, include a reasonable amount for debt retirement. It should begin immediately after the end of the war, on a scale commensurate with budget demands."

Current revenues of around $46 billion a year are nearly three times the minmum budget Senator George mentioned. And they are more than double the maximum.

Earlier in November—the 13th—Senator George stated that "prospects for any substantial change in tax rates for 1945 are very remote." At that time, Associated Press accounts reported:

He said adoption of a post-war tax program should be delayed until Congress can see the end of the European war definitely approaching. But Congress should have its plans ready for quick action when the time comes, he added.

The Finance Chairman, who pilots revenue measures in the Senate, predicted "general revision" of the Social Security Law in the next Congress. Both the Republican and Democratic Parties promised the act would be broadened.

Probably two or three months of hearings will be required in the House Ways and Means Committee and another month in his own Committee before there can be action on new benefits for more people, Senator George declared.

Whether Congress again will freeze Social Security taxes at 1% each on employees' wages and employers' payrolls by the end of the year rests largely with the House. Unless Congress acts, the rate goes up automatically to 2% on Jan. 1.

President Roosevelt, Senator George recalled, has not been enthusiastic about a freeze and neither has the Treasury. As for himself, he hasn't made up his mind.

The big question, the Georgian asserted, is whether another $1,500,000,000 in taxes should be levied at this time.

Planned Saving Stressed As Sixth War Loan Drive Appeal by Smith of ABA

The long term benefits of war bond ownership, providing a program of planned saving for future use, will be an effective appeal in the Sixth War Bond Drive, says Tom K. Smith, President of the Boatmen's National Bank, St. Louis, Mo., and Chairman of the American Bankers Association Committee on War Bond Drives. Millions of dollars will be used to buy bonds, Mr. Smith believes, for the future education of children, self retirement plans and for many other endowment purposes. He pointed out that the whole period of the Sixth War Loan Drive comes at a very propitious time for the buying of bonds by farmers. Other drives have occurred at times when crops had not yet been turned into cash, and when the farm population was extremely busy. "Also there is December 7," said Mr. Smith, "with its many opportunities for remembering one great reason why we are saving with a vengeance." An announcement by the ABA on Nov. 21 in reporting the remarks of Mr. Smith, also quoted him in part as saying:

"The basic appeal to bankers in the selling of War Bonds is the encouragement of the habit of thrift. There is no question about our armed forces winning this war but the military victory is only part of the job. If we are also to win the peace we must keep our economy stabilized. Banks realize that through their sales efforts in the Sixth War Loan Drive they will be helping to win the war, to lessen the dangers of inflation, and to assist individuals in building an investment backlog for the years to come.

"A pre-drive poll of large and small banks throughout the country shows a well defined trend toward face-to-face contact as the best way to sell war bonds. The experience of banks in five previous loans has demonstrated that there is no substitute for the personal interview in merchandising bonds to individuals.

"Basically the sales appeal is the excellence of the investment itself and the need to follow through to victory. There are bonds for every kind of buyer and every investment requirement: for long-term investment, for marketability, to pay taxes, for estates and gifts, for maximum safety of principal, maximum yield, current and deferred income, short and medium term investment, and bonds which can be used as collateral for loans.

"It is gratifying to know that more banks than ever are going to fix individual quotas for themselves and take part in a friendly competitive arrangement with other banks in their communities for scoring and reporting during the drive.

"In all previous drives, banks have taken an outstanding part in the sales effort. According to reports heretofore compiled by the Treasury, fully 80% of the bonds distributed to the public have been either sold by the banks or processed through the banks. I am convinced that we shall not only maintain this record, but improve on it in the Sixth War Bond Drive."

French Loan of Liberation Issued

The French Press and Information Service in New York made public on Nov. 13 the following from Paris Nov. 6 giving the text of a communique from the Council of Ministers of November 3, 1944, concerning the issuing of the French Loan of Liberation:

"Upon the recommendation of the Ministry of Finance, the Government decided to issue, starting Monday, November 6, until a future date which will be fixed by the Ministry of Finance, the loan of Liberation; this loan will be 3% perpetual, the same type as the former 3% with which it will form one single fund. It will be issued at par.

"The subscriptions will be received in cash and in Treasury bonds by all Treasury office branches, banks, and at all post offices in the usual manner. The Government does not seek to fill immediate needs only. Of course, great funds are necessary to pay for the war, for economic reconstruction, and for social restoration, but due to the funds realized from taxes since the liberation and to the volume of Treasury bonds purchased, the Treasury has been replenished considerably. The purpose of this loan is to stabilize the currency by withdrawing from circulation a large part of the notes issued by the enemy during the occupation. The Government believes that the country having so forcefully and spontaneously contributed to the military liberation, must also find the means of a monetary liberation.

"The ultimate success of the Government in this matter will depend for the most part upon the way in which the Nation responds to this confident appeal.

It was stated in a wireless message Nov. 2 to the New York "Times" from Paris that by means of a great "Liberation Loan," Gen. Charles de Gaulle hopes to be able to avoid devaluing French currency, on the Belgian model, or having recourse to a forced levy.

Olrich Resigns From Treasury Post

Resignation of Ernest L. Olrich as Assistant to the Secretary in charge of the Procurement Division was announced by the Treasury Department on Nov. 14. Mr. Olrich informed Secretary Morgenthau that it was essential that he return to the Presidency of Munsingwear, Inc., of Minneapolis, from which position he took leave of absence to come to the Treasury last April. His resignation is effective Nov. 27. Mr. Olrich, it is announced, has had responsibility for organizing the unit of the Procurement Division in charge of disposing of consumer type goods declared surplus by the War and Navy Departments. Secretary Morgenthau said:

"I regret very much that developments in his own business have made it necessary for Mr. Olrich to leave us. In the few months he has been with the Treasury Department he has done an extraordinarily able job in developing in the Procurement Division the organization necessary to handle the tremendously difficult surplus disposal work. He has done this at the sacrifice of his own interest and at substantial personal expense. His has been a really fine patriotic contribution to the nation in time of war."

Mr. Olrich expressed great appreciation of the free hand given him by the Secretary in establishing the surplus disposal organization.

President Roosevelt in Message to CIO, Says We Must Keep on Producing for Fighters

In greetings to President Murray at the opening of the annual convention in Chicago on Nov. 20 of the Congress of Industrial Organizations, President Roosevelt declared that "we are united in this nation, united in a common cause against a common foe. That unity of purpose has brought us victory after victory. It will continue to do so until the war is won on all fronts. After that, it will help us to win a peace that will endure for the lasting benefit of mankind." He further said: "American men and women on assembly lines, at machines, in mines, at counters, in office work, on farms and those directing production, have, almost without exception, done everything humanly possible to help our brave fighters carry on against ruthless enemies." He noted that the job is not yet done, and that "we must, and I know we will keep turning out the weapons and materials needed by our fighters so that the war may be shortened."

The President's message to Mr. Murray follows:

"Please extend my hearty greetings to the officers and delegates attending your annual convention and my best wishes for a successful and constructive meeting. I am sorry but official duties, which, as you know are heavy these days, will prevent me from leaving Washington to attend your convention and from accepting your cordial invitation to address it.

"As I write this message our brave fighting men are giving their all on land, on sea, and in the air throughout the world so that when our enemies have been crushed the victors can return to a land of peace and well-being. They want the assurance that their sacrifices will not be in vain. They want an era of peace and good will for all peoples for all time.

"And we propose to give them those things, for to do any less would be to break faith with those who have been fighting our fight and that of all liberty loving peoples so valiantly at such great cost in suffering, in wounds and in life itself. To do this means that we here at home must permit no letdown in our support of those who are proving once more that united free men in a vigorous democracy can always prevail over dictator ridden peoples.

"We are united in this nation, united in a common cause against a common foe. That unity of purpose has brought us victory after victory. It will continue to do so until the war is won on all fronts. After that it will help us to win a peace that will endure for the lasting benefit of mankind.

"American men and women on assembly lines, at machines, in mines, at counters, in office work, on farms, and those directing production have, almost without exception, done everything humanly possible to help our brave fighters carry on against ruthless enemies. They have supplied them with matchless guns, tanks, planes and ships in record quantities and with unstinted ammunition and ample supplies. It has been a job of which workers, management and farmers may well feel proud.

"That job is not yet done, however. We must, and I know we will, keep turning out the weapons and materials needed by our fighters so that the war may be shortened, lives saved and our boys returned at the earliest possible moment to their homes and loved ones.

"Very sincerely your,

"FRANKLIN D. ROOSEVELT."

Greater Participation of Ill.-Wisc. Savings And Loan Ass'n Looked for in 6th War Loan

Sixth War Loan participation by the Illinois and Wisconsin savings, building and loan associations surpassing performance in any previous drive was foreseen by A. R. Gardner, President of the Federal Home Loan Bank of Chicago, at a meeting at the bank's offices on Nov. 8 with the Chicago and Cook County Savings and Loan Committee and the State and local chairmen of the War Finance Committee. He said that in the Nov. 20-Dec. 16 drive these institutions will topple their previous $45,235,000 record made during the Third War Loan 14 months ago, even though the national goal this time is less than it was then. The results of experience in handling their sales of bonds to the public and their purchase of Government securities for their own portfolios will be felt in their larger scale activity this time, Mr. Gardner predicted. Special emphasis upon the sale of series E bonds will be urged upon the savings and loan associations, he pointed out, in view of the Treasury's continued desire to have numerous individual purchasers figure more and more prominently in the absorption of the war loan obligations. In the last drive, the Fifth War Loan, the associations' $42,347,395 participation in this district was divided $27,414,408 bought for their own account and $14,932,896 sold to the public. It is the latter figure which they will be specially urged to increase.

At the meeting with Mr. Gardner, who is Chairman for the Cook County and Chicago Savings and Loan Committee for the Sixth War Loan, were Renslow Sherer, State Chairman of the War Finance Committee, and F. M. Knight, local Chairman, and other members of the savings and loan committee, including Arthur G. Erdmann, President, Bell Savings and Loan Association; Joseph M. Mozeris, Secretary, Keistute Savings and Loan Association; Edward J. Czekala, President, National Savings and Loan Association; Joseph J. Jaros, Czecho Slovakian Savings and Loan League; Col. John B. Reynolds, President, Chicago Federal Savings and Loan Association, and John A. Feaman, President, Illinois Federal Savings and Loan Association.

Ex-Senator Brookhart Dead

The death occurred on Nov. 15 at Prescott, Ariz., of Smith W. Brookhart, for eight years United States Senator from Iowa and one of the foremost champions of the American farmer. He recently became a patient at the United States Veterans Hospital at Whipple, near Prescott.

Senator Brookhart, who was 75 years of age, was born in Missouri, and early in life studied law, being admitted to the bar in 1892, said the Associated Press, from which we also quote:

"Three years later he became Washington County (Iowa) attorney. He did not hold public office again until 1922, when he went to the Senate and immediately allied himself with the Farm Bloc.

"He was an early advocate of recognition of Russia and of cooperative farming. Although a Republican, he opposed the Harding-Coolidge Administration on some legislation, and in 1924, when he sought reelection and apparently had won by a close vote, his opponent contested it. The Senate finally decided in favor of Daniel F. Steck, the Democratic candidate.

The State of Trade

(Continued from page 2378)

expected that this tonnage will be supplied despite competition with shell steel for hot topping facilities. This will mean a step-up of present steel rail output levels," the magazine observed.

An increase in shell steel production of about 5,000 tons a month is looked for, starting in January, with prospects that in May of next year shell steel demand will exceed monthly capacities for that item by some thousands of tons. The rapid turn of events abroad may require subsequent changes in various parts of the shell steel program. For this reason it is believed that any obstacle in the way of full and rapid shell steel output will definitely be removed until such time as requirements of the armed forces are adequately met.

Makers of shell steel and rails as well as structural steel see heavy orders ahead for early next year. This enthusiasm, however, is not shared by some flat rolled producers, who have lost, and will lose additional steel plate tonnage. Heretofore as one contract was canceled there have been two or three to take its place on the wide strip mills, but this is not the case in all areas now.

Pessimism on the part of some flat rolled makers as to the future may be premature, stated "The Iron Age," since other areas indicate that pressure for sheet deliveries will now be shared by both hot and cold rolled sheets, whereas demand had been almost entirely for the former. Currently hot rolled sheets are somewhat easier to supply from an overall basis. A sign that sheet deliveries are generally better may be found in the substantial decline in delivery complaints for this item.

Maritime Commission requirements, written off many times in the past only to rise again, appear to have finally and definitely run their course. Contracts rapidly nearing completion are not being renewed. Otherwise the war production picture is mixed with some contract reductions and cancellations and other new commitments.

Cancellation by the Army of 634 of the 1,226 Bailey bridges scheduled for 1945 output is offset by the Navy Bureau of Yards and Docks' award of 500 two-story barracks requiring 26,000 tons of structural steel. Increases in certain bomb and armor-piercing shot contracts which will involve tonnages of both carbon and alloy steels were noted by the magazine.

On the export front, "The Iron Age" reported, the WPB will shortly issue letters of intent for production of 700 locomotives for use in France. The War Department and the WPB are expected soon to grant permission to go ahead with this order. The order for passenger and freight cars for French use has been held up.

Advices from official French sources in this country last week indicate that France's industrial comeback depends entirely upon the rehabilitation of its main railroad lines as well as interconnecting links. Until such time as her transportation system is restored, France's industrial cities, including steel centers, will make slow progress in regaining regular output. In view of the urgency of the case permission on French purchases may materialize sooner than is generally expected.

Most scrap markets this week followed up last week's advances in price with further increases. Some areas claim that prices are heading for the ceiling level. "The Iron Age" steel scrap composite price is up $1 a gross ton this week to $17.08 a gross ton.

The American Iron and Steel Institute announced last Monday that the operating rate of steel companies (including 94% of the industry) will be 96.3% of capacity for the week beginning Nov. 27, compared with 95.4% one week ago. This week's operating rate is equivalent to 1,732,400 net tons of steel ingots and castings, compared with 1,716,200 net tons last week and 1,734,200 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,450,047,000 kwh. in the week ended Nov. 18 from 4,396,595,000 kwh. in the preceding week. The latest figures approximate a decline of 1.4% from the level of one year ago, when output reached 4,513,299,000 kwh.

Consolidated Edison Co. of New York reports system output of 181,300,000 kwh. in the week ended Nov. 19, 1944, comparing with 218,900,000 kwh. for the corresponding week of 1943, or a decrease of 17.2%.

Local distribution of electricity amounted to 175,400,000 kwh., compared with 214,900,000 kwh. for the corresponding week of last year, a decrease of 17.9%.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Nov. 18 totaled 864,373 cars, the Association of American Railroads announced. This was an increase of 24,884 cars, or 3% above the preceding week this year, but a decrease of 17,914 cars, or 2% below the corresponding week of 1943. Compared with a similar period in 1942, an increase of 27,611 cars, or 3.3%, is shown.

Coal Production—According to latest reports, the House Ways and Means Committee voted 15 to 9, on Friday last, against considering legislation reviving regulation of the bituminous coal industry. By so doing, it went contrary to the recommendation of the President to continue United States control of coal. The U. S. Bureau of Mines reports production of Pennsylvania anthracite for week ended Nov. 18, 1944, at 1,249,000 tons, an increase of 91,000 tons (7.9%) over the preceding week, and an increase of 36,000 tons, or 3% above the corresponding week of 1943. The 1944 calendar year to date shows an increase of 7.3% when compared with corresponding period of 1943.

The report of the Solid Fuels Administration placed bituminous production for the week ended Nov. 18 at 12,180,000 net tons, a sharp increase over the output in the partial-holiday week preceding, which totaled 10,660,000 net tons. Production in the corresponding week of last year amounted to 12,974,000 net tons, while output for Jan. 1 to Nov. 18, 1944, totaled 553,630,000 net tons, an increase of 6.9% over the 517,796,000 tons mined in the same 1943 period.

Estimated production of beehive coke in the United States for the week ended Nov. 18, 1944, as reported by the same source, showed a decrease of 400 tons when compared with the output for the week ended Nov. 11, last. There was also a decrease of 51,000 tons for the corresponding week of 1943.

Lumber Shipments—The National Lumber Manufacturers Association reports that lumber shipments of 503 reporting mills were 4.2% above production for the week ended Nov. 18, while new orders of these mills are equivalent to 34 days' production for the same period. Unfilled order files amounted to 87% of stocks.

For 1944 to date, shipments of reporting identical mills exceeded production by 2.7% and orders ran 3.9% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 28.0% greater, shipments 34.8% greater, and orders 21.0% greater.

Crude Oil Production—Daily average gross crude oil production for the week ended Nov. 18, as estimated by the American Petroleum Institute, was 4,738,850 barrels. This represented an increase of 11,450 barrels per day over the preceding week, and 18,350 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of November, 1944. When compared with the corresponding week last year, crude oil production was 324,450 barrels per day higher. For the four weeks ended Nov. 18, 1944, daily output averaged 4,731,750 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureal of Mines basis) approximately 4,567,000 barrels of crude oil daily and produced 14,579,000 barrels of gasoline. Kerosene output totaled 1,479,000 barrels, with distillate fuel oil placed at 4,436,000 barrels and residual fuel oil at 8,824,000 barrels during the week ended Nov. 18, 1944. Storage supplies at the week-end totaled 78,741,000 barrels of gasoline, 14,137,000 barrels of kerosene, 48,017,000 barrels of distillate fuel, and 63,301,000 barrels of residual fuel oil.

Paper Production—Paper production for the week ended Nov. 18 was at 91.7% of capacity, as against 92.3% of capacity in the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Nov. 23 last year was 91.4% of capacity. As for paperboard, production for the same period was reported at 96% of capacity, unchanged from the previous week.

Silver—The London market for silver the past week was unchanged at 23½d. The New York Official for foreign silver continued at 44¾ cents, with domestic silver at 70⅝ cents.

1945 Meat Output Estimate—Predictions of the Agriculture Department place 1945 meat production at 2,000,000,000 pounds less this year—or about 8%—as a result of livestock liquidation. According to the Department's forecast, production in 1946 is expected to drop still lower. The continued heavy demand, it is felt, will operate to hold meat prices close to ceiling levels. Meat production for 1945 is expected to total 24,500,000,000 pounds, dressed meat basis.

Wool Consumption in September—Domestic consumption of apparel wool, on a greasy shorn basis, totaled 80,451,000 pounds last September, as compared with 90,431,000 in August and 88,519,000 in September, 1943, the New York Cotton Exchange reported the past week.

For the first nine months of this year consumption on a greasy shorn basis totaled 786,279,000 pounds, against 863,980,000 pounds in the 1943 period.

September consumption, on a scoured basis, was 43,575,000 pounds, against 48,746,000 pounds in August and 47,230,000 pounds in September, 1943. The figures for nine months were 431,298,000 pounds last Sept. 30 against 455,735,000 pounds in the 1943 period.

Cotton Spinning in October—The cotton spinning industry operated in October at 117.4% of capacity, compared with 122.3% in September this year and 129.5% for October, 1943, the Census Bureau disclosed recently.

Spinning spindles in place on Oct. 31 totaled 23,138,762, of which 22,228,138 were active at some time in the month, as against 22,279,574 active in September this year and 22,599,574 in October last year. Active spindle hours in October totaled 9,486,971,017, or an average of 400 hours a spindle in place, compared with 9,380,598,254 and 404 in September this year and 10,069,332,601 and 432 in October last year.

Furniture Bookings in October—Many furniture manufacturers in October accepted an unusual amount of bookings for future delivery in anticipation of further relaxations of Government controls, Seidman & Seidman, accountants for the trade, reported on Friday, last.

October bookings, states the above source, were 22% ahead of September, the largest September-October increase in the history of the industry. The increase above October, 1943, amounted to 35%.

Production of furniture in October was 5% above the previous month and the corresponding 1943 period. Output for the initial 10 months of 1944, however, ran 5% below a year earlier.

Wholesale and Retail Trade—Volume of retail sales throughout the nation the past week were placed at 7% to 10% above last year by Dun & Bradstreet, Inc. Early Christmas shopping again worked toward increased sales, the major portion of the rise being due to this factor. The anticipation of the Thanksgiving holiday also stimulated sales of food products.

Special "small gift" departments, accessories, lingerie, novelty jewelry and cosmetics departments did an excellent business in the week. Sales of Christmas cards, stationery and holiday candles were in great demand, while stocks showed signs of quick depletion.

Limited assortments of domestic china and glassware were available and were bought up quickly, according to the trade review. Curtain and drapery departments revealed a sales volume 10% better than for the same period a year ago, notwithstanding shortages in many popular items. The turnover was rapid and unit sales high.

A high sales volume was also noted in piece goods departments, with silks, woolens and cottons sharing in the rise. It was reported that the "sew-at-home" trend evident of late in women's apparel was mainly accountable for the upturn.

Wholesale volume likewise was well above a year ago the past week. The bulk of trading was in reorders of holiday lines where still possible. In apparel lines, especially, a policy of longer range purchasing instituted to overcome slow deliveries prompted placements of many large initial spring orders.

Quiet ruled in house furnishing markets the past week. Replacement demand of holiday items ran high, but supplies were inadequate. Glassware and cooking utensils were especially popular.

Cotton shag rugs for bedrooms as well as bathrooms sold well, while hampers, vanity tables and chairs, kitchen stools and other unpainted furniture were ordered freely. Deliveries on all woodenware generally are scheduled for from four to six months.

Percentage increases on a regional basis for the week were: New England, 9 to 11%; East, 5 to 10%; Middle West, 6 to 8%; Northwest, 7 to 9%; South, 9 to 12%; Southwest, 6 to 9%, and Pacific Coast, 10 to 15%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 12% ahead of a year ago for the week ended Nov. 18. This compared with 9% in the preceding week. For the four weeks ended Nov. 18, 1944, sales increased by 10%. A 9% increase in department store sales for the year to Nov. 18, 1944, over 1943, was also noted.

Retail trade in New York the past week made good progress despite bad weather. Department store volume was well ahead of a year ago, according to the New York "Times," the gain ranging to 18% or more for some stores. Merchandise assortments were still favorable, but shortages that are expected to grow acute in mid-December are already making their appearance.

Wholesale markets were not lacking in buyer attendance, but many of them were more concerned in checking deliveries on old orders than in placing new ones.

The garment trades awaited further steps by the OPA in making low-priced clothing available, following announcement of dollars-and-cents ceilings on children's and infants' low-end apparel. Orders for women's spring suits continued heavy.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Nov. 18 increased by 8% over the same period of last year. This compared with 10% in the preceding week. For the four weeks ended Nov. 18 sales rose by 10%, and for the year to Nov. 18 they improved by 9%.

Death of Senator "Cotton Ed" Smith

Senator Ellison Durant ("Cotton Ed") Smith, 80-year-old Democrat from South Carolina, and veteran of 35 years in the Senate, died on Nov. 17. Mr. Smith was a bitter foe of the New Deal, and throughout his long career had preached states rights. He fought vigorously for improvements in the cotton and agricultural fields, which in his later years resulted in his appointment as Chairman of the Senate Agricultural Committee. Associated Press advices from Washington Nov. 17 said:

"He was author of the Smith-Lever Act which curbed dealing in cotton futures on commodity exchanges. He proposed a cotton-pool plan, claimed the paternity of the reduction-of-acreage idea and was one of the first to plow under a proportion of his cotton, although as a Senator he could not be paid for this.

"A monument that he was proud of was the legislation creating the Wilson Dam at Muscle Shoals, primarily intended to create nitrate during the first World War; but which later was said to be the forerunner of the larger Norris Dam and the whole TVA project. During the Harding Administration, because of a deadlock, he was elected Chairman of the important Interstate Commerce Committee.

"Senator Smith by last August had served longer in the Senate than any other member in history—35 years. He was defeated for renomination to a seventh term last summer by Gov. Olin D. Johnston, who was elected Nov. 7.

"He won his nickname, Cotton Ed — a cognomen he loved — by campaigning on a platform promise of helping the cotton farmers of the South and by unceasing efforts to carry out his promises by legislation."

After a fifteen-minute session entirely devoted to eulogies of Senator Smith, the Senate adjourned on Nov. 20 until the next day, said special Washington advices to the New York "Times" on Nov. 20, which also stated:

"Although a funeral service was held yesterday in the former Senator's home town of Lynchburg, S. C., his confrere, Senator Burnet R. Maybank, told the legislators that, as there had not been time for an official group to attend, a committee named informally by Vice President Wallace had made the trip to Lynchburg for that purpose. He thereupon submitted the resolution proposing adjournment in respect of his memory.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Nov. 28	119.86	113.12	118.80	117.60	113.31	103.97	108.16	113.70	118.00
27	119.87	113.12	118.80	117.40	113.31	103.97	108.16	113.70	118.00
25	119.93	113.12	118.80	117.40	113.12	103.80	108.16	113.70	117.80
24	119.93	112.93	118.60	117.20	113.12	103.80	107.98	113.50	117.80
23	Stock Exchange Closed								
22	119.95	112.93	118.60	117.20	113.12	103.80	107.98	113.70	117.80
21	119.95	112.93	118.60	117.20	113.12	103.64	107.98	113.50	117.80
20	119.99	112.93	118.80	117.20	113.12	103.64	107.98	113.50	117.80
18	119.97	112.93	118.60	117.20	113.12	103.64	107.80	113.50	117.60
17	119.97	112.93	118.60	117.20	113.12	103.64	107.80	113.50	117.60
16	119.92	112.93	118.60	117.00	113.12	103.64	107.62	113.50	117.60
15	119.86	112.75	118.40	117.00	112.93	103.47	107.62	113.31	117.60
14	119.80	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.40
13	119.80	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.60
11	Stock Exchange Closed								
10	119.77	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.40
9	119.73	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.40
8	119.77	112.56	118.20	116.80	112.93	103.30	107.62	113.12	117.20
7	Stock Exchange Closed								
6	119.67	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
4	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
3	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
2	119.55	112.56	118.40	116.80	112.93	103.30	107.44	113.31	117.20
1	119.55	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
Oct. 27	119.33	112.56	118.40	116.61	112.93	103.47	107.62	113.50	117.20
20	119.55	112.75	118.60	116.80	112.93	103.64	107.44	113.50	117.40
13	119.61	112.75	118.60	117.00	112.93	103.47	107.27	114.08	117.20
6	119.52	112.75	118.60	117.00	112.75	103.30	106.92	114.08	117.20
Sep. 29	119.50	112.56	118.60	116.80	112.56	103.13	106.74	114.08	117.00
22	119.22	112.56	118.60	117.20	112.37	103.13	106.74	114.08	117.20
15	119.42	112.56	118.80	117.20	112.19	103.13	106.74	114.27	117.20
8	119.48	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.00
1	119.81	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.20
Aug. 25	119.89	112.75	118.80	117.40	112.19	103.30	106.74	114.27	117.20
18	119.84	112.56	118.60	117.20	112.37	103.30	106.92	114.08	117.20
11	119.84	112.56	118.60	117.00	112.37	103.30	106.92	114.08	117.20
4	120.08	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.20
July 28	120.10	112.37	118.60	116.80	112.19	103.13	106.56	114.27	117.00
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	113.12	118.80	117.60	113.31	103.97	108.16	114.27	118.00
Low 1944	119.20	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago Nov. 27, 1943	119.69	110.52	118.40	115.63	110.88	98.73	102.96	113.31	115.82
2 Years Ago Nov. 28, 1942	116.78	107.27	117.00	113.89	108.70	91.91	96.69	111.81	114.46

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 28	1.85	3.00	2.71	2.77	2.99	3.51	3.27	2.97	2.75
27	1.85	3.00	2.71	2.78	2.99	3.51	3.27	2.97	2.75
25	1.84	3.00	2.71	2.78	3.00	3.52	3.27	2.97	2.76
24	1.84	3.01	2.72	2.79	3.00	3.52	3.28	2.98	2.76
23	Stock Exchange Closed								
22	1.84	3.01	2.72	2.79	3.00	3.52	3.28	2.97	2.76
21	1.84	3.01	2.72	2.79	3.00	3.53	3.28	2.98	2.76
20	1.84	3.01	2.71	2.79	3.00	3.53	3.28	2.98	2.76
18	1.84	3.01	2.72	2.79	3.00	3.53	3.29	2.98	2.77
17	1.84	3.01	2.72	2.79	3.00	3.53	3.29	2.98	2.77
16	1.84	3.01	2.72	2.80	3.00	3.53	3.30	2.98	2.77
15	1.85	3.02	2.73	2.80	3.01	3.54	3.30	2.99	2.77
14	1.85	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.78
13	1.85	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.77
11	Stock Exchange Closed								
10	1.86	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.78
9	1.86	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.78
8	1.83	3.03	2.74	2.81	3.01	3.55	3.30	3.00	2.79
7	Stock Exchange Closed								
6	1.86	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
4	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
3	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
2	1.87	3.03	2.73	2.81	3.01	3.55	3.31	2.99	2.79
1	1.87	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
Oct. 27	1.89	3.03	2.73	2.82	3.01	3.54	3.30	2.98	2.79
20	1.86	3.02	2.72	2.81	3.01	3.53	3.31	2.98	2.78
13	1.85	3.02	2.72	2.80	3.01	3.54	3.32	2.95	2.79
6	1.85	3.02	2.72	2.80	3.02	3.55	3.34	2.95	2.79
Sep. 29	1.84	3.03	2.72	2.81	3.03	3.56	3.35	2.95	2.80
22	1.86	3.03	2.72	2.79	3.04	3.56	3.35	2.95	2.79
15	1.83	3.03	2.71	2.79	3.05	3.56	3.35	2.94	2.79
8	1.84	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.80
1	1.81	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.79
Aug. 25	1.81	3.02	2.71	2.78	3.05	3.55	3.35	2.94	2.79
18	1.81	3.03	2.72	2.79	3.04	3.55	3.34	2.95	2.79
11	1.81	3.03	2.72	2.80	3.04	3.55	3.34	2.95	2.79
4	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
July 28	1.79	3.04	2.72	2.81	3.05	3.56	3.36	2.94	2.80
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	3.00	2.71	2.77	2.99	3.51	3.27	2.94	2.75
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago Nov. 27, 1943	1.86	3.14	2.73	2.87	3.12	3.83	3.57	2.99	2.86
2 Years Ago Nov. 28, 1942	2.09	3.32	2.80	2.96	3.24	4.28	3.96	3.07	2.93

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Indianapolis Papers Up Price

INDIANAPOLIS, Nov. 27 (AP)—The three daily newspapers in Indianapolis announced price increases to subscribers on Nov. 27, according to Associated Press advices from that city, which said mounting production costs were given as the reason. The "News" and "Times" (afternoon) raised single copy price a cent to 5 cents and the carrier price 2 cents to 20 cents a week. The "Star" (morning) increased single copy price 1 cent to 5 cents and the weekly carrier price 5 cents to 35 cents. This includes the Sunday edition. The Sunday edition was raised to 15 cents from 12 cents a copy.

President Welcomed To Washington on Return from Hyde Park

Following his re-election on Nov. 7 for a fourth term, President Franklin D. Roosevelt left his Hyde Park, N. Y., home on Nov. 9 for Washington, where he was given a signal welcome on Nov. 10, despite the rains and winds of the day. Before leaving Hyde Park on Nov. 8 the President, commenting on the result of the election, asserted that "we have again demonstrated to the world that democracy is a living, vital force." His comments were contained in a statement by him distributed by Presidential Secretary Stephen Early, as follows:

"For the first time in 80 years we have held a national election in the midst of war.

"What is really important is that after all of the changes and vicissitudes of fourscore years, we have again demonstrated to the world that democracy is a living, vital force, that our faith in American institutions is unshaken, that conscience and not force is the source of power in the government of man.

"To that faith let us unite to win the war and to achieve a lasting peace."

As to the welcome accorded the President with his arrival in Washington on Nov. 10, the Associated Press said:

Preceded by a Flying V (for victory) of 50 motorcycle policemen, the President grinned and waved from the back seat of an open car to the umbrella-toting throngs which surged against four and a half miles of cable and rope along the route of his triumphal procession from Union Station to the White House.

The rain petered out to a drizzle as Mr. Roosevelt leaned toward a battery of microphones at a stop in the Union Station plaza to thank the people for "this very wonderful welcome home."

Acting Secretary of State Edward R. Stettinius, Jr., handed the President a scroll renewing the pledge of Federal employees to their chief regardless of party affiliations.

Vice-President Wallace and Senator Harry S. Truman, the man who will succeed him in the No. 2 spot Jan. 2, rode with the Chief Executive to the White House, where Mr. Roosevelt has spent nearly a fifth of his life.

A night-long rain almost stopped as the President paused to wave to the crowd and speak briefly into radio microphones at the station. No amplification system had been installed and only those very close were able to hear.

The text of Mr. Roosevelt's informal remarks to the station crowd was transcribed by a member of the Presidential staff as follows:

"This is a very wonderful welcome home that you have given me on this rather rainy morning—a welcome that I shall always remember. And when I say a welcome home, I hope that some of the scribes in the papers won't intimate that I expect to make Washington my permanent residence for the rest of my life.

"All these years—eight in the Navy Department, 12 in the White House, and four to come — will have a great effect on Washington. The city is very different from the Washington I first came to in the first administration of President Cleveland. I go back—Russ Young (District of Columbia Commissioner) and I go back, I think—to Cleveland's first administration, because we are the same age.

"So I want to tell you how glad I am to be here and say one word to you — especially the Government workers—for all that you are doing to win this war. And when I say especially Government workers, I don't overlook all the other people in the city who make it possible for them to come here and live here and work here.

"So thanks very much."

The President made his annual pilgrimage to the Tomb of the Unknown Soldier in Arlington National Cemetery on Nov. 11. He did not, however, make any address. Regarding the pilgrimage, the Associated Press (Nov. 11) stated:

Standing beside Henry L. Stimson, Secretary of War, and James V. Forrestal, Secretary of the Navy, he [the President] watched Major General Edwin M. Watson, his chief military aide, lay a large oval wreath of white and yellow crysanthemums at the foot of the marble sarcophagus.

Rearl Admiral Wilson Brown, Naval aide, also stood with him in the minute of silence preceding the wreathing laying. A small guard of men in the uniforms of the Army, Navy and Marine Corps participated.

Just before the ceremony the band played "Hail to the Chief" and "The Star-Spangled Banner," as several hundred spectators looked on. A bugler sounded taps at the end.

The customary Presidential salute of 21 guns was fired out over the Potomac River as the Presidential procession moved through the cemetery gates and out again.

In an address at the Tomb, Edward N. Scheiberling, National Commander of the American Legion, said veterans of this war should sit at the peace table to assure the achievement of a lasting peace. He asserted that America had broken its promises to "this man" and his comrades of the last war.

"This time," he declared, "we do not say that it must not happen again.

"This time we say that—under God—it shall not happen again.

"We cannot leave the making of peace to statesmen alone. This time we who have fought in the battles—we, the comrades of the Unknown Soldier, veterans of two wars, will help formulate the terms of an enduring peace. It can be done only by those of us who know the horrors of war."

The President's re-election was noted in our Nov. 9 issue, page 2017.

Mortgage and Loan Leaders to Meet

Leaders in mortgage finance — banks, insurance companies and savings and loan associations — throughout New York State will meet at the Biltmore Hotel, Dec. 7 at the call of the National Committee on Housing to discuss the need for adopting uniform standards of construction and lending practice in making loans on postwar residential construction. The conference has been arranged, it was explained by Mrs. Samuel I. Rosenman, Chairman of the National Committee on Housing, as part of the effort to avoid a repetition of the haphazard planning, jerry-building and other evils which have marked previous home building booms.

The conference program has been arranged with the assistance of a committee including: Myron S. Short, of Buffalo, President of the State Savings Banks Association; George S. Van Schaick, Vice-President, New York Life Insurance Co.; Nugent Fallon, President of the Home Loan Bank of New York; Harold D. Rutan, President of the Mortgage Conference; Gardner W. Taylor, President of the First Federal Savings and Loan Association; Albert B. Merrill, President of the First Trust & Deposit Co. of Syracuse, and George C. Johnson, Treasurer, Dime Savings Bank of Brooklyn.

Post Office Urges Early Christmas Mailings

Postmaster Albert Goldman on Nov. 15 directed attention to the following statement issued by Postmaster General Frank C. Walker regarding Christmas mail:

"The postal service this year is called upon to handle the greatest volume of Christmas mail in history. If we are to complete delivery of gifts and cards on time for Christmas, we shall need the fullest public understanding of the situation.

"Extraordinary wartime conditions face us. Unless more people buy and mail this month the postal service cannot do its job of delivering all Christmas gifts on time.

"It is not pleasing to us to have to ask the American people to mail packages so far in advance of the delivery date. We do so only because it has to be done. The job is a tremendous one, but we are confident that it will be done because we know from experience that given sound reasons Americans cooperate magnificently.

"Unprecedented shortages of manpower and transportation facilities growing out of the war compel early mailing. The postal service has given 50,000 experienced employees to the armed forces and 300,000 railroad workers have gone to war. Equally serious is the fact that rail and other transport facilities are taxed to the limit with the great burden of war traffic which all of us know must take precedence.

"In a great number of our 43,000 post offices the manpower situation is critical. The 200,000 extra workers whom we normally recruited to handle the swollen Christmas volume of mail were able to work long hours of overtime and to do heavy work. This cannot be expected from the women and high school boys and girls to whom, in large part, we must look this year to meet the situation.

"The way in which everyone responded in making it possible for us to handle a volume of 70,000,000 parcels for the armed forces overseas leaves no doubt in my mind that the November Christmas mailing will be equally successful. I ask for the help of the press, radio, business advertisers, civic groups, and all Americans in making it possible for the postal service to do its work.

"We urge everyone to buy now, mail in November, and mark gifts 'Do Not Open Until Christmas'."

Recognize Guatemala Gov.

Diplomatic recognition was extended to the Government of Guatemala on Nov. 7 by the United States and other American republics after they had consulted on the question. Washington advices to the New York "Times" (Nov. 7) reporting this added:

"A military junta has been in control of the country since a revolution last month, but elections for an Assembly were held last week and a Presidential election has been promised for next month. Since President Jorge Ubico was overthrown last June, the country has passed through a succession of crises.

"Our action today was communicated to Enrique Munoz Meany, the Foreign Minister, by Ambassador Boaz Long."

Moody's Daily Commodity Index

Tuesday, Nov. 21, 1944	248.5
Wednesday, Nov. 22	247.8
Thursday, Nov. 23	
Friday, Nov. 24	249.3
Saturday, Nov. 25	249.1
Monday, Nov. 27	248.5
Tuesday, Nov. 28	247.8
Two weeks ago, Nov. 14	247.8
Month ago, Oct. 28	249.1
Year ago, Nov. 23, 1943	244.2
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Oct. 3	252.5
Low, Jan. 5	247.0

Steel Operations Near Recent Peaks—Plate Directives to Be Cut Again—Scrap Stronger

"For the time being at least, urgent war needs and a substantial backlog to pick from have enabled the steel industry this week to continue a steel production and steel finishing level not far under recent peaks," states "The Iron Age" in its issue of today (Nov. 30), which further adds in part: "All-time highs have been passed and the pressure for overall deliveries is not as pressing as it was a few months ago, but there are still several steel items on which deliveries are tight. Deliveries by the end of the first quarter of 1945 may be easier. For the next few months, however, emphasis will remain on the production of heavy shell steel, small arms ammunition and Navy building requirements.

"While steel plate directives have and will be cut further, and while the Maritime Commission has substantially reduced its current orders for plates, the belief is growing in some circles that the Maritime Commission's shipbuilding program will by no means be completed by the middle of next year. At the present time the Commission's program is continuing but the seeming paradox in the falling off of Maritime steel orders is due more to a balancing out of shipyard inventories accompanied with close control than it is to any current drop in the rate of shipbuilding.

"Railroad news features a report that the New York Central has placed orders for 200 diesel locomotives with General Motors, Electro-Motive Division. The Illinois Central RR. is planning 14 streamliners in its post-war fleet instead of the four presently in use. Revision of the Army 1944 railroad car program provides for completion of 38,782 units by the end of this year. The 1945 Army program calls for 26, 170 units, of which 15,700 are under suspension. The New York Central has placed 1,000 70-ton gondolas with its Dispatch Shop and Santa Fe has ordered 500 50-ton box cars from Pullman Standard subject to court authorization. The Erie RR. will take bids Dec. 12 on 500 50-ton box cars, and the Navy is inquiring for 100 50-ton steel sheathed box cars. Further Brazilian inquiries are also on the books. An order involving about 50,000 tons of sheet steel piling and accessories has been placed and was divided between Carnegie-Illinois Steel Corp., Bethlehem Steel Co., and Inland Steel Co.

"Although the Iron Age steel scrap composite price is unchanged this week at $17.08 a gross ton, markets are definitely stronger with many grades other than No. 1 heavy melting having advanced in price."

The American Iron and Steel Institute on Nov. 27 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 96.3% of capacity for the week beginning Nov. 27, compared with 95.4% one week ago, 94.9% one month ago and 99.5% one year ago. The operating rate for the week beginning Nov. 27 is equivalent to 1,732,400 tons of steel ingots and castings, compared to 1,716,200 tons one week ago, 1,707,200 tons one month ago and 1,734,200 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Nov. 27 stated in part as follows:

"General tightening in all major steel products is noted as a result of broader needs for military supplies to support the increasing tempo of the invasion of Germany and requests from the High Command for increased shipments to the front.

"Pig iron consumption shows slight increase as foundries obtain a few more workers, though nothing like the force needed to meet castings demand. Some melters seek to add to inventories but restrictions on accumulating too great a supply still are in force. Meanwhile fouundries are unable to accept all business offered and pent up demand continues to accumulate. Shortage of castings for the heavy truck program is a bottleneck in war production, though some progress has been made in increasing output for this purpose. Contracting for first quarter is expected to start soon.

"Consumption of Lake Superior iron ore is at a lower rate than in 1943, the total for ten months being 73,274,120 gross tons, compared with 74,109,380 tons during the comparable period last year. September consumption totaled 7,319,948 tons, against 7,750,682 tons in Sept., 1943. Stocks at furnaces and Lake Erie ports Nov. 1 aggregated 45,342,562 tons, compared with 48,614,006 tons at the same date last year."

Civil Engineering Construction Volume $23,189,000 for Week

Civil engineering construction volume for the short week due to the early closing for the Thanksgiving Day holiday totals $23,189,000. This continental United States volume, not including the construction by military engineers outside the country, American contractors abroad, and shipbuilding, is below the $29,400,000 reported to "Engineering News-Record" for the preceding week, and is 37% lower than in the corresponding 1943 week and 1% under the previous four-week moving average. The report made public on Nov. 22, continued as follows:

Private construction for the week is 385% higher than in the week last year. Public construction is down 52% due to the 30% decline in state and municipal volume, and the 53% decrease in Federal.

The current week's construction brings 1944 volume to $1.600.543,000 for the 47 weeks. a decrease of 45% from the $2.885,384 000 reported for the period in 1943. Private work $337.207.000, is 25% lower than a year ago, and public construction, $1,263,336,000, is shown 48% as a result of the 54% drop in Federal volume. State and municipal construction tops last year by 22%.

Civil engineering construction volumes for the 1943 week, last week and the current week are:

	Nov. 25, 1943 (four days)	Nov. 16, 1944 (five days)	Nov. 23, 1944 (four days)
Total U. S. construction	$36,523,000	$29,400,000	$25,189,000
Private construction	1.294,000	9,650,000	6,277,000
Public construction	35,229,000	19,750,000	16,912.000
State and Municipal	1.592.000	5,861,000	1,112.000
Federal	33,637,000	13,889,000	15,800,000

In the classified construction groups, gains over the 1943 week are in industrial and commercial buildings, streets and roads, and unclassified construction. Public buildings is the only class of work to gain over a week ago. Subtotals for the week in each class of work are: waterworks, $291,000; sewerage, $369,000; industrial buildings, $2,912,000; commercial building and large-scale private housing, $3,027,000; public buildings, $7,262,000; earthwork and drainage, $206,000; streets and roads, $2,327,000; and unclassified construction $6,795,000.

New capital for construction purposes for the week totals $1,869,000. It is made up of $1,269,000 in state and municipal bond sales, and $600,000 in corporate security issues. The week's new financing brings 1944 volume to $1,683,047,000, a total 45% below the $3,065,104,000 reported for the 47-week 1943 period.

National Fertilizer Association Commodity Price Index Advances Fractionally

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Nov. 27 advanced fractionally to 139.6 in the week ending Nov. 25 from 139.5 in the previous week. A month ago the index registered 139.8 and a year ago 135.0, based on the 1935-1939 average as 100. The Association's report continued as follows:

Last week's fractional advance in the all-commodity price index resulted primarily from higher quotations in the farm products and foods groups. The small increase in the livestock group was the result of slight gains for cattle. Lower prices for light weight hogs and lambs were not sufficient to offset the higher prices for cattle. Higher prices for wheat and rye caused a slight increase in the grains group. The foods group again moved into higher ground as higher prices were quoted for fluid milk and potatoes. Prices for raw cotton continued to trend slightly downward. However, this decrease was not sufficient to change the textiles index number. Advancing prices for scrap steel caused a fractional increase in the metals group. All other group indexes remained unchanged from the previous week.

During the week 7 price series in the index advanced and 3 declined; in the preceding week 5 price series advanced and 7 declined; and in the second preceding week 10 price series advanced and 4 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 25, 1944	Preceding Week Nov. 18, 1944	Month Ago Oct. 28, 1944	Year Ago Nov. 27, 1943
25.3	Foods	143.9	143.7	143.5	140.8
	Fats and Oils	145.1	145.1	145.1	145.6
	Cottonseed Oil	163.1	163.1	163.1	159.6
23.0	Farm Products	164.2	164.1	166.1	152.3
	Cotton	202.8	203.2	203.4	185.4
	Grains	157.9	157.4	159.8	161.0
	Livestock	160.4	160.3	162.7	144.2
17.3	Fuels	130.4	130.4	130.4	122.8
10.8	Miscellaneous commodities	133.2	133.2	133.4	131.4
8.2	Textiles	155.0	155.0	155.0	149.7
7.1	Metals	105.6	105.5	104.0	104.4
6.1	Building materials	154.1	154.1	154.0	152.4
1.3	Chemicals and drugs	126.1	126.1	126.1	127.7
.3	Fertilizer materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.8
.3	Farm machinery	104.7	104.7	104.7	104.2
100.0	All groups combined	139.6	139.5	139.8	135.0

*Indexes on 1926-1928 base were: Nov. 25, 1944, 108.7; Nov. 18, 108.7; and Nov. 27, 1943, 105.2.

Electric Output for Week Ended Nov. 25, 1944 Declined 0.8% Below the Same Week in 1943

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Nov. 25, 1944 was approximately 4,368,519,000 kwh., compared with 4,403,342,000 kwh. in the corresponding week a year ago, a falling off of 0.8%. The output of the week ended Nov. 18, 1944, was 1.4% below that in the similar period in 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— Nov. 25	Nov. 18	Nov. 11	Nov. 4
New England	1.7	0.9	1.7	*0.0
Middle Atlantic	*4.6	*5.2	*5.0	*4.0
Central Industrial	1.6	1.4	*0.7	0.5
West Central	7.1	7.0	3.6	2.6
Southern States	2.9	2.8	2.8	2.4
Rocky Mountain	*10.5	*12.6	*12.2	*10.6
Pacific Coast	*2.5	*4.3	*3.2	*0.3
Total United States	*0.8	*1.4	*1.9	*1.3

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Aug. 5	4,399,433	4,240,638	+ 3.7	3,637,070	1,415,122	1,729,667
Aug. 12	4,415,368	4,287,827	+ 3.0	3,654,795	1,431,910	1,733,110
Aug. 19	4,451,076	4,264,824	+ 4.4	3,673,717	1,436,440	1,750,056
Aug. 26	4,418,298	4,322,195	+ 2.2	3,639,961	1,464,700	1,761,594
Sept. 2	4,414,735	4,350,511	+ 1.5	3,672,921	1,423,977	1,674,588
Sept. 9	4,227,900	4,229,262	— 0.0	3,583,408	1,476,442	1,806,259
Sept. 16	4,394,839	4,358,512	+ 0.8	3,756,922	1,490,863	1,792,131
Sept. 23	4,377,339	4,359,610	+ 0.4	3,720,254	1,499,459	1,777,854
Sept. 30	4,365,907	4,359,003	+ 0.2	3,682,794	1,505,219	1,819,276
Oct. 7	4,375,079	4,341,754	+ 0.8	3,702,299	1,507,503	1,806,403
Oct. 14	4,354,575	4,382,260	— 0.6	3,717,360	1,528,145	1,798,633
Oct. 21	4,345,352	4,415,405	— 1.6	3,752,571	1,533,028	1,824,160
Oct. 28	4,358,293	4,452,592	— 2.1	3,774,891	1,525,410	1,815,749
Nov. 4	4,354,939	4,413,863	— 1.3	3,761,961	1,520,730	1,798,164
Nov. 11	4,396,595	4,482,665	— 1.9	3,775,878	1,531,584	1,793,584
Nov. 18	4,450,047	4,513,299	— 1.4	3,795,361	1,475,268	1,818,169
Nov. 25	4,368,519	4,403,342	— .08	3,766,381	1,510,337	1,718,002
Dec. 2		4,560,158		3,883,534	1,518,922	1,806,225

Inaugural of President Roosevelt for Fourth Term At White House Jan. 20

The inaugural of President Roosevelt for his fourth term on Jan. 20 is planned to be one of the simplest in recent times, and will take place at the south Portico of the White House. Reporting that a decision to that effect was announced by the Joint Congressional Committee in charge of the inauguration, headed by Senator Harry F. Byrd of Virginia, special Washington advices Nov. 14 to the New York "Times" said:

The shift from the usual pageantry in the plaza in front of the Capitol has been made in deference of wartime conditions, with the enthusiastic concurrence of the President. The Chief Executive's sentiments in the matter were disclosed a few days ago to Col. Edwin A. Halsey, Secretary of the Senate, and David Lynn, Architect of the Capitol, who were detailed to consult him.

Following the meeting of the Joint Congressional Committee this afternoon the President expressed keen satisfaction with the verdict of the six Senators and Representatives, to scale both expenditures and display to a minimum.

He told his press conference that he understood $25,000 had been allotted for expenses for the occasion and that he was convinced he could keep it to one-tenth the amount, or even below $2,000. No stands will be required, he pointed out. By utilizing a wooden scaffold which is available at the White House and an iron one from the Capitol, no new construction will be necessary to accommodate photographers and the press, yet the sloping grounds will afford a clear view of the exercises, he said.

There will be no parade. The President was firm on that point.

"It is understood that the President desires that the Congress, the Cabinet, the Supreme Court, the diplomatic corps and other distinguished guests, and the wives of those included, be invited to witness the ceremony," the committee said.

It has since been stated that the President's inaugural address will be restricted to a four or five minute talk. This was made known following a conference on Nov. 27 between the President and Senator Byrd, as to which special advices to the "Times" said:

Senator Byrd said that the ceremony would be "an economic one throughout." The President, in recently announcing the plan for holding the ceremony at the White House rather than at the Capitol, explained jokingly that it probably would cost only about one-tenth of the $25,000 which had been appropriated to the committee, and observed that Senator Byrd was chairman of the committee.

Senator Byrd, who is also head of the Joint Committee on Reduction of Non-Essential Federal Expenditures, has long been a critic of Administration spending.

After today's meeting the White House issued a statement saying that a lack of liaison between the President and the Inaugural Committee accounted for the discrepancy between Mr. Roosevelt's and the committee's estimates of costs of the ceremony.

"The discrepancy between the amount of money appropriated by Congress for the inaugural ceremonies and that suggested by the President," the statement said "was clarified" at the meeting.

The President stated that he had not disclosed to Senator Byrd his suggestion of having the inaugural ceremonies at the White House before the time that made the usual appropriations for the ceremonies at the Capital. The statement added:

"Expenses for the ceremonies at the White House will be less than if they had been held at the Capitol, and the President stated that he was glad to join in a program of economy in governmental expenditures."

Senator Byrd was accompanied to the White House by Edwin A. Halsey, Secretary of the Senate and Secretary of the Inaugural Committee, and David Lynn, architect of the Capitol.

With few exceptions, American Presidents have traditionally taken the oath of office on the Capitol portico since 1825, when John Quincy Adams was sworn in in the House chamber. Exceptions to the rule have been Presidents Fillmore, Hayes, Taft and Coolidge. The latter was sworn in by lamplight by his father at Plymouth, Vt., on receiving news of the death of President Harding.

Vice President-elect Harry S. Truman will take the oath at the same time and place as President Roosevelt, it was announced.

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Nov. 18, 1944 is estimated at 12,180,000 net tons, a sharp increase over the output in the partial-holiday week preceding, and is 230,000 tons, or 1.9%, above that in the week ended Nov. 4, 1944. In the week of 1943, production of soft coal amounted to 12,974,000 net tons. During the calendar year through Nov. 18, 1944 output totaled 553,630,000 tons, a gain of 6.9% over the corresponding period in 1943.

According to the U. S. Bureau of Mines, production of Pennsylvania authracite for the week ended Nov. 18, 1944 was estimated at 1,249,000 tons, an increase of 91,000 tons (7.9%) over the preceding week. When compared with the output in the corresponding week of 1943, there was an increase of 36,000 tons, or 3%. The calendar year to date shows an increase of 7.3% when compared with the same period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended Nov. 18, 1944 showed a decrease of 400 tons when compared with the output for the week ended Nov. 11, 1944; and was 51,000 less than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	Nov. 18, 1944	*Nov. 11, 1944	Nov. 20, 1943	†Nov. 18, 1944	Nov. 20, 1943	Nov. 20, 1937
Total incl. mine fuel	12,180,000	10,700,000	12,974,000	553,630,000	517,796,000	397,625,000
Daily average	2,030,000	‡1,945,000	2,162,000	2,021,000	1,879,000	1,457,000

*Revised. †Subject to current adjustment. ‡Average based on 5.5 working days.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡Nov. 18, 1944	§Nov. 11, 1944	Nov. 20, 1943	Nov. 18, 1944	Nov. 20, 1943	Nov. 20, 1937
*Total incl. coll. fuel	1,249,000	1,158,000	1,213,000	57,896,000	53,958,000	45,749,000
†Commercial produc.	1,199,000	1,112,000	1,164,000	55,581,000	51,800,000	43,462,000
Beehive coke—						
United States total	116,800	117,200	167,800	6,438,900	6,977,900	2,982,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended			
State—	Nov. 11, 1944	Nov. 4, 1944	Nov. 13, 1943	Nov. 13, 1937
Alabama	360,000	352,000	357,000	240,000
Alaska	7,000	7,000	8,000	2,000
Arkansas and Oklahoma	80,000	103,000	58,000	72,000
Colorado	151,000	153,000	154,000	152,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,196,000	1,484,000	1,460,000	1,107,000
Indiana	472,000	542,000	478,000	372,000
Iowa	42,000	53,000	52,000	76,000
Kansas and Missouri	188,000	184,000	179,000	138,000
Kentucky—Eastern	773,000	1,024,000	959,000	860,000
Kentucky—Western	324,000	392,000	335,000	188,000
Maryland	33,000	35,000	37,000	33,000
Michigan	3,000	3,000	4,000	12,000
Montana (bitum. & lignite)	88,000	89,000	109,000	70,000
New Mexico	33,000	35,000	37,000	29,000
North & South Dakota (lignite)	62,000	60,000	77,000	62,000
Ohio	675,000	643,000	573,000	538,000
Pennsylvania (bituminous)	2,705,000	2,695,000	2,486,000	2,017,000
Tennessee	114,000	148,000	158,000	125,000
Texas (bituminous & lignite)	3,000	2,000	4,000	17,000
Utah	137,000	129,000	106,000	81,000
Virginia	302,000	380,000	378,000	280,000
Washington	32,000	36,000	17,000	38,000
†West Virginia—Southern	1,731,000	2,118,000	2,239,000	1,824,000
‡West Virginia—Northern	992,000	1,091,000	1,105,000	572,000
Wyoming	196,000	190,000	162,000	127,000
§Other Western States	*	1,000	1,000	*
Total bituminous & lignite	10,700,000	11,950,000	11,534,000	9,032,000
Pennsylvania anthracite	1,158,000	1,138,000	1,090,000	1,002,000
Total, all coal	11,858,000	13,088,000	12,624,000	10,034,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

House Group Votes Against Bituminous Regulation

The House Ways and Means Committee on Nov. 24 voted 15 to 9 against considering legislation reviving regulation of the bituminous coal industry, says an Associated Press dispatch from Washington, D. C.

Wholesale Prices Practically Unchanged for Week Ended Nov. 18, Labor Dept. Reports

"Commodity prices at the primary market level were unusually steady during the week ended Nov. 18 with increases of only 0.1% recorded in three groups—farm products, fuel and lighting materials and chemicals and allied products," it was announced by the U. S. Department of Labor in its report released Nov. 23, which went on to say: "These slight increases did not affect the Bureau of Labor Statistics‘ index of all commodities. It remained unchanged at 104.1% of the 1926 average. Since about the middle of October prices for these commodities have risen 0.3% to a point 1.5% higher than at this time last year."

The report continued:

"Farm Products and Foods—Slightly higher prices for livestock, particularly steers, hogs and lambs, together with minor increases for wheat and cotton and a seasonal advance for eggs accounted for the increase of 0.1% in average prices for farm products during the week.

"Lower prices were reported for corn and rye, for calves and for apples and onions. In the past four weeks farm product prices have risen 1.4% and are 2.7% higher than for the corresponding week of last year.

"Average prices for foods in wholesale markets remained unchanged during the week. Seasonally higher prices for eggs and sweetpotatoes and an increase for fresh beef in the New York market were offset by lower prices for apples and for onions and potatoes at Chicago. Although prices for foods are 1% higher than at this time last month they are 0.7% lower than in mid-November a year ago.

"Industrial Commodities—Industrial commodity markets continued steady. Mercury again advanced 1.7% under strong demand while production continued to lag. Minor price declines were reported for certain farm machines because of the elimination of tools and grease guns. Average prices for building brick rose 1.7% as a result of OPA action in raising ceiling prices in some areas in order to maintain current production. The usual elimination of seasonal discounts on potash fertilizers brought the index for chemicals and allied products up 0.1%.

The following notation was included in the Labor Department's report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Oct. 21, 1944 and Nov. 20, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from Nov. 11, 1944 to Nov. 18, 1944.

WHOLESALE PRICES FOR WEEK ENDED NOV. 18, 1944

(1926=100)

						Percentage change to Nov. 18, 1944 from—		
Commodity Groups—	11-18 1944	11-11 1944	11-4 1944	10-21 1944	11-20 1943	11-11 1944	10-21 1944	11-20 1943
All commodities	*104.1	*104.1	*104.0	*103.8	102.6	0	+0.3	+ 1.5
Farm products	124.5	124.4	124.0	122.8	121.2	+0.1	+1.4	+ 2.7
Foods								
Hides and leather products	104.9	104.9	104.4	103.9	105.6	0	+1.0	— 0.7
Textile products								
Fuel and lighting materials	116.7	116.7	116.7	116.7	118.4	0	0	— 1.4
Metals and metal products	98.9	98.9	98.9	98.9	97.2	0	0	+ 1.7
Building materials	83.6	83.5	83.5	83.6	81.6	+0.1	0	+ 2.5
Chemicals and allied products	*103.8	*103.8	*103.8	*103.8	103.8	0	0	0
Housefurnishing goods	116.4	116.4	116.4	116.3	113.0	0	+0.1	+ 3.0
Miscellaneous commodities	104.8	104.7	104.7	104.9	100.4	+0.1	—0.1	+ 4.4
Raw materials	106.1	106.1	106.1	106.1	104.2	0	0	+ 1.8
Semimanufactured articles	93.4	93.4	93.4	93.4	93.0	0	0	+ 0.4
Manufactured products	114.3	114.3	114.0	113.2	111.3	0	+1.0	+ 2.7
All commodities other than	94.7	94.7	94.7	94.7	92.9	0	0	+ 1.9
farm products	*101.2	*101.1	*101.1	*101.2	100.3	+0.1	0	+ 0.9
All commodities other than	*99.7	*99.7	*99.6	*99.7	98.6	0	0	+ 1.1
farm products and foods	*98.9	*98.8	*98.8	*98.9	97.5	+0.1	0	+ 1.4

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM NOV. 11, 1944 TO NOV. 18, 1944

Increases

Fertilizer materials	0.9	Brick and tile	0.4
Livestock and poultry	0.5	Meats	0.2
Other foods	0.2		

Decreases

Grains	0.8	Fruits and vegetables	0.6

Non-Ferrous Metals—Consumption of Copper Holds—Lead Demand Active—Quicksilver Up

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 23, stated: "Consumption of major non-ferrous metals in the final quarter of the current year will be larger in volume than most observers expected, owing to the intensity of the war effort. Cancellations have been fewer since October, and in some instances schedules actually have been stepped up. Use of copper during the current month is expected to approximate 127,000 tons, or at the same level as that established in October. Purchases of lead for December, covering both domestic and foreign metal, indicate that consumers may absorb close to 75,000 tons. Zinc consumption is holding at around 70,000 tons a month. Quicksilver furnished another price change, advancing $1 per flask." The publication further went on to say in part:

Copper

Fabricators' statistics circulated last week indicate that 127,257 tons of copper were consumed in October, against 129,444 tons in September. Stocks of copper in the hands of fabricators at the end of October amounted to 324,483 tons, which compares with 325,181 tons a month previous. Invoicing for October accounted for a total of 127,618 tons of copper, of which 92,150 tons consisted of domestic metal and 35,468 tons foreign.

In reviewing metal and mineral problems recently at a meeting in El Paso, Texas, Philip D. Wilson, of WPB, said it has been estimated that after the war our domestic economy, including manufacturers for export, may absorb annually 1,000,000 tons of copper. Our unsubsidized domestic mine production today represents only three-fourths of that amount. He also disclosed that under the premium price plan the average cost of domestic copper today is about 13¢ per pound. Mr. Wilson thought it unlikely that the Government will adhere strictly to the 30-day cancellation privilege on "B" and "C" quotas and premiums. Basic "A" quotas would not be cancellable before July 31, 1945, unless the emergency were declared at an end.

WPB officials told members of the Brass Mill Industry Advisory Committee that forecasts indicate that November business in brass mill products will compare favorably with October's. Brass mills in October produced 35,000,000 pounds of copper products and 30,000,000 pounds of alloy tubing, both record figures. Output of rods in October came to 91,000,000 pounds, and strip totaled 233,000,000 pounds. Strip production was somewhat lower than in recent months, following a downward adjustment in some ammunition programs.

Lead

Requests for foreign lead to supplement domestic metal purchased for shipment in December were large, according to Washingington advices. Consumers asked for 33,000 tons, and it is believed that this total will be increased somewhat before the period for arranging for shipments finally ends. This points to total takings for next month (domestic and foreign lead) of about 75,000 tons. Some consumers have been adding to their inventories, the trade believes.

Sales of domestic lead for the week amounted to 10,321 tons.

Shipments of refined lead by domestic producers during October amounted to 42,303 tons, against 43.586 tons in September and 45,956 tons in October last year, according to the American Bureau of Metal Statistics. Production increased from 38,614 tons in September to 42,997 tons in October, the gain resulting from a larger tonnage of refined metal recovered from secondary and foreign material.

The September and October statistics of domestic producers of refined lead, in tons, are summarzide as follows:

	Oct.	Sept.
Stock at beginning	23,911	28,890
Production:		
Domestic	34,642	35,717
Secondary and foreign	8,355	2,897
	42,997	38,614
Domestic shipments	42,303	43.586
Stock at end	24,595	23,911

Industrial classification of domestic shipments of refined lead, in tons:

	Oct.	Sept.
Cable	7,870	8,252
Ammunition	2,509	2,120
Foil	494	450
Batteries	5,860	5,811
Brass mills	847	657
Sundries	6,677	5,389
Jobbers	1,061	446
*Unclassified	16,985	20,461
Totals	42,303	43,586

*Includes white lead, red lead, litharge and other oxides, sheet and pipe, solder, babbitt, and lead for making tetraethyl for gasoline.

Zinc

Production and consumption of zinc are so nearly in balance that the industry finds it rather difficult to form an opinion on whether stocks at the end of November will show another gain or begin to move downward. Some observers feel that production has slumped a little, owing to manpower shortages, which might easily bring about a welcome drop in the huge surplus now on hand. Owing to the high rate of activity in the brass industry, consumption of zinc in that field remains substantial. Producers of Prime Western hope for greater activity in galvanizing next year.

Tin

A political revolt at Oruro, Bolivian mining center, was suppressed last week, according to press advices. Whether the disturbance interrupted production of tin concentrates is not known in local mining circles.

No relaxation of restrictions on the use of tin in the manufacture of hardware is possible in the near future, industry heads were informed by WPB. War uses of tin are not expected to decrease after the collapse of Germany, since bronze, babbitts, solders, and other high-tin alloys will be in increasing demand for maintenance and repair.

The price situation in tin remains unchanged. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	Nov.	Dec.	Jan.
November 16	52.000	52.000	52.000
November 17	52.000	52.000	52.000
November 18	52.000	52.000	52.000
November 20	52.000	52.000	52.000
November 21	52.000	52.000	52.000
November 22	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

Will the present heavy demand for quicksilver continue? That question puzzles both consumers and producers. Demands since August exceeded expectations and have been considerably above current production plus imports. Consumers claim that consumption in November remained high, but probably not quite up to the mark of recent months. Because of uncertainty in the demand-supply picture, most operators favor a conservative buying and selling policy. Producers, it is claimed, are unable to increase production, owing to weather conditions in mining areas and the labor shortage.

Because of regulations governing the disposal of surplus material, stockpile legislation and high-cost metal in the hands of Metals Reserve Co., the stockpile cannot be used to relieve the present "emergency." The Government owns between 85,000 and 100,000 flasks of quicksilver, according to estimates.

The New York market was quotable last week at $118@$120 per flask, an advance of $1.

Silver

The London market for silver was quiet and unchanged at 23½d., spot and forward.

The New York Official price of foreign silver was unchanged at 44¾¢, with domestic at 70⅝¢.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Nov 22 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Nov. 4, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Nov. 4 (in round-lot transactions) totaled 1,306,106 shares, which amount was 15.86% of the total transactions on the Exchange of 4,118,720 shares. This compares with member trading during the week ended Oct. 28 of 1,808,789 shares, or 18.47% of the total trading of 4,896,230 shares. On the New York Curb Exchange, member trading during the week ended Nov. 4 amounted to 303,475 shares, or 13.10% of the total volume on that exchange of 1,158,455 shares; during the Oct. 28 week trading for the account of Curb members of 371,810 shares was 14.18% of total trading of 1,311,720 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 4, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	108,720	
‡Other sales	4,010,000	
Total sales	4,118,720	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	336,390	
Short sales	35,020	
‡Other sales	288,960	
Total sales	323,980	8.02
2. Other transactions initiated on the floor—		
Total purchases	207,730	
Short sales	10,500	
‡Other sales	176,590	
Total sales	187,090	4.79
3. Other transactions initiated off the floor—		
Total purchases	104,400	
Short sales	23,240	
‡Other sales	123,276	
Total sales	146,516	3.05
4. Total—		
Total purchases	648,520	
Short sales	68,760	
‡Other sales	588,826	
Total sales	657,586	15.86

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 4, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	13,240	
‡Other sales	1,145,215	
Total sales	1,158,455	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	84,320	
Short sales	7,550	
‡Other sales	82,965	
Total sales	90,515	7.55
2. Other transactions initiated on the floor—		
Total purchases	26,185	
Short sales	1,400	
‡Other sales	25,725	
Total sales	27,125	2.30
3. Other transactions initiated off the floor—		
Total purchases	40,275	
Short sales	1,500	
‡Other sales	33,555	
Total sales	35,055	3.25
4. Total—		
Total purchases	150,780	
Short sales	10,450	
‡Other sales	142,245	
Total sales	152,695	13.10
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	52,405	
Total purchases	52,405	
Total sales	34,733	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Daily Average Crude Oil Production for Week Ended Nov. 18, 1944 Increased 11,450 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Nov. 18, 1944, was 4,738,850 barrels, a gain of 11,450 barrels over the preceding week and 324,450 barrels per day more than produced in the corresponding week of last year. The current figure was also 18,350 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of November, 1944. Daily output for the four weeks ended Nov. 18, 1944 averaged 4,731,750 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4.567,000 barrels of crude oil daily and produced 14,579,000 barrels of gasoline; 1,479,000 barrels of kerosine; 4,436,000 barrels of distillate fuel, and 8,824,000 barrels of residual fuel oil during the week ended Nov. 18, 1944; and had in storage at the end of that week 78,741,000 barrels of gasoline; 14,137,000 barrels of kerosine; 48,017,000 barrels of distillate fuel, and 63,301,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations November	*State Allowables begin. Nov. 1	Actual Production Week Ended Nov. 18, 1944	Change from Previous Week	4 Weeks Ended Nov. 18, 1944	Week Ended Nov. 20, 1943
Oklahoma	345,000	346,000	†358,050	— 1,350	356,200	326,650
Kansas	274,000	269,400	†282,700	+16,700	274,000	281,350
Nebraska	1,000	----	†1,000	----	900	1,700
Panhandle Texas			94,150	----	95,800	85,500
North Texas			151,200	----	150,350	141,900
West Texas			473,950	----	480,700	359,750
East Central Texas			144,600	----	146,350	137,950
East Texas			367,900	----	369,150	376,400
Southwest Texas			347,100	----	342,550	298,100
Coastal Texas			553,400	----	547,800	524,600
Total Texas	2,133,000	‡2,138,385	2,132,300	----	2,132,700	1,924,200
North Louisiana			72,250	+ 400	72,700	78,750
Coastal Louisiana			291,300	----	290,750	272,200
Total Louisiana	350,000	395,500	363,550	+ 400	363,450	350,950
Arkansas	78,000	79,975	80,450	— 300	80,650	78,350
Mississippi	50,000		52,550	+ 1,050	50,600	46,800
Alabama	----		250	— 50	250	----
Florida	----		50	----	50	----
Illinois	200,000		190,450	—14,550	199,950	215,250
Indiana	13,000		12,500	— 650	13,000	12,500
Eastern— (Not incl. Ill., Ind., Ky.)	72,000		66,750	+ 800	67,200	71,100
Kentucky	26,000		30,400	+ 50	30,100	23,350
Michigan	50,500		49,800	— 200	48,650	50,100
Wyoming	100,000		93,700	+ 1,550	96,300	100,850
Montana	24,000		21,350	----	21,350	21,350
Colorado	9,000		9,650	— 150	9,500	7,450
New Mexico	110,000	110,000	104,850	— 50	104,900	112,950
Total East of Calif.	3,835,500		3,850,350	+ 3,250	3,849,650	3,624,900
California	885,000	§885,000	888,500	+ 8,200	882,100	789,500
Total United States	4,720,500		4,738,850	+11,450	4,731,750	4,414,400

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Nov. 16, 1944.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 18, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are—therefore on a Bureau of Mines basis—

	Daily Refining Capacity		Crude Runs to Stills					
District—	Potential Rate	% Reporting	Daily Average	% Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residua Fue Oil
East Coast	729	100.0	631	86.5	1,668	12,205	14,623	10,401
Appalachian— District No. 1	130	83.9	100	76.9	269	2,348	516	337
District No. 2	47	87.2	42	89.4	145	1,511	205	125
Ind., Ill., Ky.	824	85.2	761	92.3	2,802	15,942	7,071	3,854
Okla., Kans., Mo.	418	80.2	358	85.6	1,333	6,966	2,546	1,632
Inland Texas	278	66.9	232	83.4	932	2,705	438	605
Texas Gulf Coast	1,165	90.5	1,145	98.3	3,825	14,414	7,619	8,427
Louisiana Gulf Coast	242	95.5	263	108.7	818	4,171	2,284	1,219
No. La. & Arkansas	104	68.0	79	75.9	217	2,235	652	312
Rocky Mountain— District No. 3	13	17.0	12	92.3	38	67	19	32
District No. 4	141	58.3	98	69.5	377	1,603	386	604
California	817	89.9	846	103.5	2,155	14,574	11,658	35,753
Total U. S. B. of M. basis Nov. 18, 1944	4,908	87.2	4,567	93.1	14,579	*78,741	48,017	63,301
Total U. S. B. of M. basis Nov. 11, 1944	4,908	87.2	4,650	94.7	14,464	78,091	48,259	63,999
U. S. Bur. of Mines basis Nov. 20, 1943			4,212		12,480	68,489	45,297	62,339

*Composed of 13,055,000 barrels of unfinished, 39,440,000 barrels civilian grade automotive, and 26,246,000 barrels aviation, military, solvents and naphthas, and gasoline blending stocks currently indeterminate as to ultimate use. Civilian grade automotive stock for weeks ended Nov. 4 and 11 should be revised downward by 400,000 barrels due to error by reporting company. Aviation, military, etc. stocks should be increased corresponding amount. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,479,000 barrels of kerosine, 4,436,000 barrels of gas oil and distillate fuel oil and 8,824,000 barrels of residual fuel oil produced during the week ended Nov. 18, 1944, which compares with 1,512,000 barrels 4,492,000 barrels and 9,431,000 barrels, respectively, in the preceding week and 1,441,000 barrels, 4,627,000 barrels and 8,870,000 barrels, respectively, in the week ended Nov. 20, 1943.

Note—Stocks of kerosine at Nov. 18, 1944 amounted to 14,137,000 barrels, as against 14,070,000 barrels a week earlier and 10,942,000 barrels a year before.

Moody's Common Stock Yields

Annual average yields for the years 1929 to 1941, inclusive, and monthly yields for 1941 are published in the "Chronicle" of June 11, 1942, page 2218. Yields for 1942 are on page 202, Jan. 14, 1943, issue, and for 1943, on page 1130, March 16, 1944 issue.

MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
January, 1944	4.6%	7.0%	5.5%	3.8%	3.9%	4.8%
February, 1944	4.6	6.7	5.5	3.7	4.0	4.8
March, 1944	4.6	6.9	5.5	3.8	3.7	4.8
April, 1944	4.6	7.0	5.6	3.8	3.8	4.9
May, 1944	4.7	6.7	5.4	3.6	3.7	4.8
June, 1944	4.4	6.6	5.2	3.5	3.7	4.6
July, 1944	4.5	6.6	5.3	3.6	3.7	4.7
August, 1944	4.5	6.7	5.2	3.5	3.7	4.7
September, 1944	4.5	6.7	5.3	3.5	3.7	4.7
October, 1944	4.5	7.0	5.3	3.5	3.6	4.7

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 22 a summary for the week ended Nov. 11 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 11, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	15,112
Number of shares	429,242
Dollar value	$17,664,739
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	193
*Customers' other sales	13,677
Customers' total sales	13,870
Number of Shares:	
Customers' short sales	5,415
*Customers' other sales	348,788
Customers' total sales	354,203
Dollar value	$12,838,085
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	70
†Other sales	78,940
Total sales	79,010
Round-Lot Purchases by Dealers:	
Number of shares	151,110

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Nonfarm Real Estate Foreclosure Report Third Quarter 1944

Nonfarm real estate foreclosures in the United States continued at a low level during the third quarter of 1944, it was announced by the Federal Home Loan Bank Administration in its report issued Nov. 1. The 4,082 foreclosure cases estimated during this period represented a decline of nearly 8% from the April-June period of this year, and was 33% below the number concluded in the third quarter of 1943, said the announcement which also had the following to say:

"Of the total number of foreclosures which occurred during the third quarter of 1944, 1,340 were completed in July, 1,255 in August, and 1,487 in September. The seasonally adjusted foreclosure indexes for the three months were 10.3, 9.8, and 11.2, respectively (1935-1939=100).

"During the first nine months of 1944, nonfarm foreclosures continued the decline which has prevailed since 1933. The estimated 13,272 forced transfers which have occurred thus far in 1944, represented a decline of 34% from those of the same period in 1943. The improvement in the foreclosure picture was widespread with reductions throughout the 12 Federal Home Loan Bank Districts ranging from 54% in the Portland District to 24% in the Boston District.

"The national foreclosure rate for the third quarter of 1944, expressed on an annual basis, was 0.7 per 1,000 nonfarm structures compared with 0.8 for the second quarter of this year, and 1.1 for the third quarter of 1943. During the current quarter foreclosure rates by FHLB Districts ranged from 0.1 per 1,000 structures in the Portland District to 1.7 for the New York District. It will be noted that the rate of foreclosures per 1,000 structures is greater in the New England and Middle Atlantic areas than in other parts of the country. Foreclosure rates have been consistently low in the western States."

Revenue Freight Car Loadings During Week Ended Nov. 18, 1944 Increased 24,884 Cars

Loading of revenue freight for the week ended Nov. 18, 1944 totaled 864,373 cars, the Association of American Railroads announced on Nov. 24. This was a decrease below the corresponding week of 1943 of 17,914 cars, or 2%, but an increase above the same week in 1942 of 27,611 cars or 3.3%.

Loading of revenue freight for the week of Nov. 18, increased 24,884 cars, or 3% above the preceding week.

Miscellaneous freight loading totaled 408,000 cars, an increase of 13,719 cars above the preceding week, and an increase of 7,955 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 108,829 cars, an increase of 777 cars above the preceding week, and an increase of 2,483 cars above the corresponding week in 1943.

Coal loading amounted to 175,567 cars, an increase of 19,725 cars above the preceding week, but a decrease of 12,706 cars below the corresponding week in 1943.

Grain and grain products loading totaled 52,035 cars, an increase of 524 cars above the preceding week but a decrease of 3,020 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products, loading for the week of Nov. 18, totaled 34,073 cars, an increase of 744 cars above the preceding week but a decrease of 1,408 cars below the corresponding week in 1943.

Livestock loading amounted to 24,317 cars, an increase of 1,870 cars above the preceding week and an increase of 1,920 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of Nov. 18 totaled 19,052 cars, an increase of 1,490 cars above the preceding week and an increase of 1,436 cars above the corresponding week in 1943.

Forest products loading totaled 41,457 cars, an increase of 1,501 cars above the preceding week but a decrease of 4,426 cars below the corresponding week in 1943.

Ore loading amounted to 40,025 cars, a decrease of 13,529 cars below the preceding week and a decrease of 9,045 cars below the corresponding week in 1943.

Coke loading amounted to 14,143 cars, an increase of 297 cars above the preceding week, but a decrease of 1,075 cars below the corresponding week in 1943.

All districts reported decreases compared with the corresponding week in 1943, except the Southern and Centralwestern but all districts reported increases compared with 1942 except the Northwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
5 weeks of June	4,343,193	4,003,393	4,139,395
4 weeks of July	3,463,512	3,455,328	3,431,395
4 weeks of August	3,579,800	3,554,694	3,487,905
5 weeks of September	4,428,427	4,456,466	4,410,669
4 Weeks of October	3,598,979	3,607,851	3,604,323
Week of November 4	893,333	754,739	829,663
Week of November 11	839,489	847,972	826,695
Week of November 18	864,373	882,287	836,762
Total	39,617,107	38,511,887	39,244,553

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 18, 1944. During the period 61 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED NOV. 18

Railroads	Total Revenue Freight Loaded 1944	1943	1942	Total Loads Received from Connections 1944	1943
Eastern District—					
Ann Arbor	359	254	469	1,435	1,477
Bangor & Aroostook	1,925	2,541	1,658	368	260
Boston & Maine	6,816	6,951	6,020	14,494	15,678
Chicago, Indianapolis & Louisville	1,268	1,269	1,529	1,906	2,178
Central Indiana	29	41	23	44	47
Central Vermont	1,110	1,125	958	2,357	2,654
Delaware & Hudson	5,028	6,184	6,104	12,621	11,700
Delaware, Lackawanna & Western	8,067	7,926	7,063	11,354	10,827
Detroit & Mackinac	312	244	433	100	117
Detroit, Toledo & Ironton	1,871	2,279	1,574	1,296	1,354
Detroit & Toledo Shore Line	343	269	253	2,529	2,586
Erie	13,308	13,017	11,822	16,419	19,795
Grand Trunk Western	3,942	3,389	4,160	7,635	7,328
Lehigh & Hudson River	168	228	254	2,298	2,548
Lehigh & New England	2,149	2,061	2,058	1,449	1,332
Lehigh Valley	8,593	8,465	8,267	14,029	13,704
Maine Central	2,289	2,319	2,230	3,697	3,808
Monongahela	6,254	6,099	5,917	288	429
Montour	2,670	2,596	2,306	18	22
New York Central Lines	49,916	53,614	45,755	53,903	56,382
N. Y., N. H. & Hartford	9,771	10,549	9,119	17,675	20,161
New York, Ontario & Western	1,034	1,394	973	3,148	2,589
New York, Chicago & St. Louis	6,715	7,008	7,338	15,110	16,135
N. Y., Susquehanna & Western	485	671	456	2,114	1,779
Pittsburgh & Lake Erie	7,645	7,654	7,088	7,348	7,542
Pere Marquette	5,406	5,125	5,908	7,682	7,886
Pittsburg & Shawmut	820	903	760	23	6
Pittsburg, Shawmut & North	313	354	355	199	304
Pittsburgh & West Virginia	938	1,203	869	2,849	2,587
Rutland	364	366	291	1,103	1,087
Wabash	6,357	6,780	5,673	12,191	11,956
Wheeling & Lake Erie	5,241	4,519	4,572	4,344	4,498
Total	161,506	167,397	152,195	222,026	230,756
Allegheny District—					
Akron, Canton & Youngstown	688	769	728	1,199	1,350
Baltimore & Ohio	45,883	47,043	38,176	28,121	32,037
Bessemer & Lake Erie	5,556	4,832	5,731	1,626	1,735
Buffalo Creek & Gauley	*327	404	327	*6	3
Cambria & Indiana	1,606	1,775	1,787	14	8
Central R. R. of New Jersey	6,998	7,557	7,017	18,781	21,028
Cornwall	547	635	746	55	57
Cumberland & Pennsylvania	175	238	217	8	19
Ligonier Valley	52	154	123	68	45
Long Island	1,340	1,360	1,060	3,715	3,480
Penn-Reading Seashore Lines	1,971	1,991	1,787	2,398	3,062
Pennsylvania System	85,075	86,280	78,344	66,188	67,116
Reading Co.	15,896	15,717	15,047	28,619	27,952
Union (Pittsburgh)	19,507	20,028	20,807	5,004	6,318
Western Maryland	4,043	4,993	3,669	12,811	11,633
Total	189,669	193,776	175,566	168,613	175,843
Pocahontas District—					
Chesapeake & Ohio	29,097	30,708	27,373	12,985	15,545
Norfolk & Western	21,799	23,569	21,857	7,490	7,057
Virginian	4,332	4,859	4,796	2,671	2,672
Total	55,228	59,136	54,026	23,146	25,274
Southern District—					
Alabama, Tennessee & Northern	435	325	305	362	304
Atl. & W. P.—W. R. R. of Ala.	681	702	748	2,934	3,434
Atlanta, Birmingham & Coast	874	707	728	1,548	1,338
Atlantic Coast Line	13,101	13,440	13,507	11,975	11,440
Central of Georgia	3,856	3,861	3,759	5,193	4,805
Charleston & Western Carolina	414	412	413	1,754	1,820
Clinchfield	1,754	1,752	1,852	3,026	2,794
Columbus & Greenville	340	311	445	296	260
Durham & Southern	143	130	119	734	640
Florida East Coast	2,382	1,968	1,270	1,541	1,375
Gainesville Midland	53	41	40	115	114
Georgia	1,278	1,182	1,441	2,413	3,640
Georgia & Florida	489	468	310	695	764
Gulf, Mobile & Ohio	4,561	4,504	4,318	4,491	4,475
Illinois Central System	30,016	29,559	28,975	16,941	17,203
Louisville & Nashville	26,496	26,302	25,260	12,141	12,885
Macon, Dublin & Savannah	184	197	227	836	859
Mississippi Central	405	297	165	532	502
Nashville, Chattanooga & St. L.	3,685	3,475	4,354	4,948	5,346
Norfolk Southern	1,048	1,117	1,243	2,365	1,764
Piedmont Northern	499	376	320	1,339	1,189
Richmond, Fred. & Potomac	448	387	480	10,845	11,740
Seaboard Air Line	10,687	11,016	11,162	9,474	10,144
Southern System	25,218	23,336	23,508	26,456	24,034
Tennessee Central	755	602	523	851	1,054
Winston-Salem Southbound	167	138	119	1,085	938
Total	129,970	126,605	125,591	124,890	124,861
Northwestern District—					
Chicago & North Western	17,856	17,636	17,952	13,288	14,517
Chicago Great Western	2,783	3,010	2,173	3,325	3,584
Chicago, Milw., St. P. & Pac.	22,098	22,289	19,854	9,694	10,019
Chicago, St. Paul, Minn. & Omaha	3,396	3,669	3,237	3,975	3,777
Duluth, Missabe & Iron Range	13,333	17,863	22,321	207	215
Duluth, South Shore & Atlantic	594	482	695	656	502
Elgin, Joliet & Eastern	9,072	8,723	9,539	10,722	12,192
Ft. Dodge, Des Moines & South	406	420	405	80	7[illegible]
Great Northern	15,161	15,591	18,703	7,260	4,970
Green Bay & Western	491	585	480	1,025	904
Lake Superior & Ishpeming	1,197	1,063	2,424	92	36
Minneapolis & St. Louis	2,268	2,378	2,240	2,540	2,459
Minn., St. Paul & S. S. M.	5,523	6,806	5,875	2,920	2,914
Northern Pacific	11,102	11,890	12,282	5,866	5,676
Spokane International	253	168	148	566	498
Spokane, Portland & Seattle	2,442	2,548	1,981	3,546	3,477
Total	107,975	115,121	120,309	65,762	65,817
Central Western District—					
Atch., Top. & Santa Fe System	25,879	24,294	23,918	15,890	12,579
Alton	4,106	3,508	3,371	3,600	4,731
Bingham & Garfield	406	504	493	62	82
Chicago, Burlington & Quincy	22,575	22,287	21,558	13,820	13,098
Chicago & Illinois Midland	2,918	3,302	2,614	975	854
Chicago, Rock Island & Pacific	13,163	13,062	12,716	13,655	11,830
Chicago & Eastern Illinois	3,193	3,032	2,550	5,326	7,119
Colorado & Southern	1,206	1,193	1,268	2,913	2,393
Denver & Rio Grande Western	5,514	5,156	4,551	6,627	6,451
Denver & Salt Lake	680	662	847	20	22
Fort Worth & Denver City	969	982	1,502	2,076	1,636
Illinois Terminal	2,440	1,993	1,684	1,979	2,051
Missouri-Illinois	1,321	1,199	1,228	584	45[illegible]
Nevada Northern	1,217	2,244	2,150	93	139
North Western Pacific	853	939	867	922	814
Peoria & Pekin Union	12	12	22	0	0
Southern Pacific (Pacific)	29,653	30,738	26,933	14,034	15,618
Toledo, Peoria & Western	431	408	339	1,836	1,691
Union Pacific System	22,088	20,448	19,772	16,877	18,536
Utah	492	708	575	3	8
Western Pacific	2,083	2,618	1,690	4,537	4,368
Total	141,199	139,229	130,648	105,829	104,472
Southwestern District—					
Burlington-Rock Island	734	350	204	628	139
Gulf Coast Lines	6,130	7,516	5,364	2,376	2,847
International-Great Northern	2,691	2,325	3,712	3,651	3,966
Kansas, Oklahoma & Gulf	272	244	434	1,162	1,147
Kansas City Southern	5,127	5,478	5,138	3,098	2,839
Louisiana & Arkansas	3,738	3,711	3,765	2,603	3,160
Litchfield & Madison	309	349	260	1,395	1,286
Midland Valley	746	602	689	498	294
Missouri & Arkansas	215	181	203	483	478
Missouri-Kansas-Texas Lines	7,104	6,436	6,655	4,672	5,975
Missouri Pacific	18,843	19,385	18,807	18,536	21,642
Quanah Acme & Pacific	77	103	100	429	162
St. Louis-San Francisco	10,598	9,433	9,489	8,986	8,908
St. Louis Southwestern	3,885	3,469	3,308	6,925	7,240
Texas & New Orleans	12,049	14,788	14,225	5,963	5,196
Texas & Pacific	6,189	6,546	5,941	7,362	8,015
Wichita Falls & Southern	72	84	107	56	51
Weatherford M. W. & N. W.	47	23	26	31	33
Total	78,826	81,023	78,427	68,854	73,379

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
August 5	195,161	160,568	604,299	96	94
August 12	140,338	158,849	585,316	96	94
August 19	136,936	155,516	562,744	95	94
August 26	128,596	156,921	534,174	96	94
September 2	173,065	155,820	549,114	97	94
September 9	131,988	123,758	554,352	80	94
September 16	129,481	158,178	525,730	97	94
September 23	125,258	161,114	486,818	96	94
September 30	160,952	159,114	482,896	95	94
October 7	217,096	158,946	541,424	96	94
October 14	139,347	154,719	523,875	96	94
October 21	133,028	156,269	499,929	94	94
October 28	146,003	157,806	486,882	95	94
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Conference on Fair Trade Practices in N. Y.

Approximately 400 sales managers, advertising managers, and attorneys representing manufacturers of trade-marked goods it is stated, have asked for invitations to the Conference of Fair Trade Practices to be held under the auspices of American Fair Trade Council on tomorrow afternoon (Friday, December 1) at the Hotel Roosevelt, N. Y. The discussion will be led by the following speakers: John W. Scott, Secretary Bissell Carpet Sweeper Co., and President of the Council; John W. Anderson, President, The Anderson Company and President Motor and Equipment Manufacturers Association; I. W. Digges, General Counsel American Fair Trade Council and Association of National Advertisers; James C. Cumming, of John A. Cairns & Co.; Roger Kenna, Vice-President and General Sales Manager The Marlin Firearms Co.; Harold S. Close, President Ayres & Galloway Hardware Co., Middletown, N. Y., President Middletown Chamber of Commerce, formerly President New York State Retail Hardware Association.

The Council states that it has called this conference "because its members believe that, when the end of the war in Europe signals the return to more normal business, the Fair Trade laws will be an important factor in preserving the stability of American industry. They will serve to place a floor under prices so far as they affect trade-marked nationally advertised goods. Legalized resale price maintenance will be a check on ruinous price-cutting and a curb on deflation."

The annual meeting and election of officers of American Fair Trade Council will be held on the morning of December 1, at the same place.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of Sept. 30, 1944, and show that the money in circulation at that date (including of course that held in bank vaults of member banks of the Federal Reserve System) was $23,794,299,623 as against $23,291,861,046 on Aug. 31, 1944, and $18,844,446,730 on Sept. 30, 1943, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, total was $3,459,434,174.

Lumber Movement—Week Ended Nov. 18, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 503 mills reporting to the National Lumber Trade Barometer were 4.2% below production for the week Nov. 18, 1944. In the same week new orders are equivalent to 34 days' less than production. Unfilled order files of the reporting mills amounted to 87% of stocks. For reporting softwood mills, unfilled orders are equivalent to 34 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 2.7%; orders by 3.9%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 28.0% greater; shipments were 34.8% greater, and orders were 21.0% greater.

Items About Banks, Trust Companies

Walter R. Miller, formerly Assistant Vice-President of Manufacturers Trust Company, New York, has been elected a Vice-President of the bank. Mr. Miller was graduated from New York University in 1925. Immediately after graduation, he entered the employ of the former National Bank of Commerce in New York as a credit analyst. He remained there until 1928 when he accepted a position in the Credit Department of the former Chatham Phenix National Bank & Trust Co. Following the merger of Chatham Phenix with Manufacturers Trust Co. in the early part of 1932, Mr. Miller was transferred to the principal office of the latter institution and was named Branch Loan Supervisor for several of its offices. During the latter part of 1932, Mr. Miller was appointed Assistant Manager of Manufacturers Trust Company's office in the Wililamsburgh Bridge Plaza in Brooklyn. Four years later he was elected an Assistant Secretary and placed in charge of that office, and in 1938 he was transferred to the office at 84 Broadway, Brooklyn. One year later, Mr. Miller was transferred back to the Main Office to assist in the supervision of the bank's 23 offices in Brooklyn and the Queens, and in 1940 he was elected an Assistant Vice President.

E. Chester Gersten, President of the Public National Bank and Trust Co. of New York, announces that A. M. Strong, who is Manager of the Foreign Department, was elected a Vice-President at a meeting of the directors held on Nov. 22.

Percy H. Johnston, Chairman of the Chemical Bank & Trust Company of New York, announces the election of Richard K. Paynter, Jr., Treasurer of the New York Life Insurance Company, to the Advisory Board of the bank's Fifth Avenue at 29th Street office of the bank.

Harold E. Watson, out-of-town representative of Manufacturers Trust Company, New York, has been elected an Assistant Secretary. He started his banking career with the New York Trust Company in 1911. During World War I, Mr. Watson served as Captain in the U. S. Army Air Corp. In 1919 Mr. Watson organized the New York Stock Exchange firm of George H. Watson & Co., which later became known as Watson-Wallace & Co. This firm has since been dissolved. Mr. Watson became affiliated with Manufacturers Trust Company in 1939 and after spending some time in various branches and departments of the bank he was assigned to the Out-of-Town Department. During the last few years Mr. Watson has frequently visted the States of Kentucky, Tennessee, Virginia and West Virginia in connection with the trust company's correspondent bank relationships in those States.

The election of Miss Bess Bloodworth as a Trustee of the Brooklyn Savings Bank, of Brooklyn, N. Y., is announced by Adrian Van Sinderen, President of the bank. Miss Bloodworth, who is Vice-President in charge of personnel and a member of the board of directors of the Namm Department Store in Brooklyn, is the first woman to be elected a Trustee of a savings bank in New York City, said the Brooklyn "Daily Eagle" of Nov. 24, which states that she started her business career as a Secretary for the Texas Company, New York. She later served as production expert of the lubrication section of the Division of Aeronautics and subsequently became Sales Promotion Manager of the Chicago division of Sinclair Refining Company. She has been associated with the Namm Store since 1921.

According to the Boston "News Bureau" of Nov. 24 it is proposed that Newton-Waltham Bank & Trust Co. be the name of the new bank to follow the merger of the Newton Trust Co. of Newton, Mass., and Waltham National Bank of Waltham, Mass. Newton Trust Co. will change its name to the new designation, and one share of new stock will be issued for each of the 108,000 present shares, said the "News Bureau," which further stated:

"At the same time capital stock will be increased by 24,000 shares, and it is proposed to issue these for the 32,000 shares of Waltham National Bank common in the ratio of ¾ share of new for each present Waltham share.

"Stockholders of Waltham National will vote on the proposal at a special meeting to be held on Friday, Dec. 15, and a special meeting of Newton Trust stockholders will be held at about the same time. The new bank will have capital, surplus, undivided profits and reserves of approximately $4,500,000. On Oct. 31, last, Newton Trust had total assets of $37,849,000 and deposits of $31,567,000, while Waltham National had assets of $18,331,000 and deposits of $17,179,000. The Waltham National preferred stock issues will be paid off at par, which is $6.25 per share for the $276,000 A preferred owned by the RFC, and $12.50 for the $200,000 B preferred, owned locally.

"Following consummation of the proposed merger, Bay State Corp. will offer to pay $43 per share for new stock received by Waltham National Bank common stockholders, and will buy fractions on a basis of $42 per share and sell fractions on a basis of $44. If this corporation, which was formerly Old Colony Trust Associates, acquires no stock under its offer, and sells none, it will hold just under 55% of the 132,000 shares of the new bank, on the basis of its present holdings of 71,922 shares of Newton Trust.

"It is expected that Herbert K. Hallett, President of Waltham National Bank, will be elected Chairman of the board of the merged bank, while Seward W. Jones will be President and Frank L. Richardson will be Executive Vice-President, similar to the positions they now hold in Newton Trust Co. Principal office of the new bank will be in Waltham."

The Providence (R. I.) Institute for Savings (better known, says the Providence "Journal," as the Old State Bank) celebrated on Nov. 20 its 125th anniversary. Among the many congratulatory messages received by the bank's officials was one from Governor J. H. McGrath, Governor of Rhode Island, who spoke of the founders as a group whose "wisdom and foresight in founding this place," he said, "has given impetus to the industrial life of Rhode Island." The "Journal" states that "included among the personnel of the bank in attendance were five whose periods of service range from 35 to 56 years. They were Frank M. Mason, Secretary and clerk of the corporation, employed since 1888; Harry V. Mayo, Assistant Treasurer, 1899; Ezra W. Mason, Treasurer, 1902; Frank G. Howard, Assistant Secretary, 1908, and Pardon R. Kenney, Assistant Treasurer, 1909."

A. Livingston Kelley is President of the bank.

In its statement of condition on Sept. 30 the bank showed total number of depositors to be 80,962; the total amount credited to these accounts being $83,536,880.49, and the average for the depositors being $997.97.

A 25% increase in the capital stock of the Corn Exchange National Bank & Trust Co. of Philadelphia was recommended to the bank's stockholders in a resolution approved on Nov. 21 by the board of directors, David E. Williams, President, announced. Shares outstanding now total 227,500. The proposed 56,875 additional shares would be offered proportionately to stockholders at $40 a share. Outstanding stock par is $20 and the market value is approximately $58. Proceeds from the additional stock issued would be apportioned equally between capital and surplus, says the announcement, which states:

"The resolution passed by the directors today (Nov. 21) will be presented at the annual meeting of stockholders, Jan. 9. The resolution provides that stockholders of record Dec. 2, 1944, will be qualified to vote at the January meeting. The proposal requires the approval of two-thirds of the shareholders of record. As of Sept. 30, 1944, Corn Exchange of Philadelphia capital was $4,550,000; its surplus $7,500,000, and its undivided profits $2,717,932. With approval by stockholders of today's proposal, the bank's capital would be $5,687,500; its surplus $9,000,000, and its undivided profits $2,500,000, reflecting a proposed transfer of approximately $350,000 from undivided profits to surplus."

Mr. Williams said the proposed increase would enable the bank to take greater advantage of the present opportunity to enlarge the scope of its business. Founded in 1858, Corn Exchange has 11 offices in central Philadelphia and in various sections of the city.

William F. Freeman, Secretary of Banking of Pennsylvania, announced on Nov. 21 that depositors of the closed Pennsylvania Trust Co. of Pittsburgh, Pa., received a liquidation dividend of 8%, or a total of $161,463.13, on Nov. 21. This payment, it is stated, is the fourth since the bank closed Nov. 29, 1933, and will bring the total payment to depositors to $807,776.14, or 40%.

Frank O. Potter, President of the Citizens State Bank of Park Ridge, Ill., announced on Nov. 17 the payment of $36,800 of capital debentures to the RFC. Reporting this, the Chicago "Journal of Commerce" of Nov. 18 said:

"The bank's surplus was increased from $100,000 to $150,000 at the same time. Capital structure of the bank now includes the following: Capital stock, $50,000; surplus, $150,000; undivided profits and reserves, $58,366. Deposits total approximately $7,200,000."

Benjamin Bramlage, Vice-President of the First National Bank & Trust Co., Covington, Ky., died on Nov. 22. Mr. Bramlage, who was 80 years of age, began his career 68 years ago with the Farmers & Traders Bank of Covington, which was consolidated with the First National Bank & Trust in 1910. Mr. Bramlage was also President of the Madison Avenue Building Association, a director of the Stewart Iron Works Co., and a member of the Chamber of Commerce, all of Covington.

The Federal Reserve Bank of St. Louis, Mo., announced on Nov. 21 that the Citizens Bank of Owensville, Owensville, Mo., has become a member of the Federal Reserve Bank. The new member was chartered Nov. 2, 1934. It has a capital of $25,000, surplus of $19,000, and total resources of $989,597. Its officers are: F. W. Stukenbroecker, President; J. Hy. Roethemeyer, Vice-President; Fred A. Schaeperkoetter, Secretary; A. F. Berger, Cashier.

Announcement is also made that the Citizens Bank of Windsor, Windsor, Mo., became a member of the Federal Reserve Bank of St. Louis on Nov. 24. The new member was chartered Oct. 22, 1883. It has a capital structure of $59,677 and total resources of $1,138,498. Its officers are: E. L. Sutherland, President; Lois Johnston Cashier. The addition of the Citizens Bank of Windsor brings the total membership of the Federal Reserve Bank of St. Louis to 473. These member banks hold over 70% of the net deposits of all banking institutions in the Eighth District, according to the Reserve Bank's announcement.

The Board of Governors of the Federal Reserve System announced recently that on Nov. 16 the Nevada Bank of Commerce, Elko, Nev., a State member absorbed the Bank of Pioche, Nev., a State member. In connection with the absorption a branch was established at Pioche.

Total resources of $1,526,734,000, the highest in the 127 years of the bank's operation, were reported on Nov. 24 by the Bank of Montreal. Such resources, contained in the annual statement for the fiscal year ended Oct. 31, 1944, compared with $1,313,065,000 a year earlier, an increase of $213,669,000. Deposits on Oct. 31 aggregated $1,420,811,000, a gain of $214,937,000 over the preceding year, despite heavy withdrawals in both the commercial and savings departments by subscribers for investment in Victory loans.

Holdings of bonds and debentures, principally Dominion Government and high-grade Provincial and municpial securities of early maturity, amounted to $955,538,000, an increase of $156,075,000. Cash holdings and money on deposit with the Bank of Canada were $184,473,000 on Oct. 31, an increase of $62,196,000. These assets, together with other resources, placed quickly available resources of the bank on Oct. 31 at $1,279,000,000, equal to 88.30% of liabilities of $1,448,768,786 to the public. Commercial loans declined to $203,104,000 from $223,399,000. The decrease indicated a continuance of the trend of recent years in which business men engaged in Government war work have found less need for banking accommodation. Profits amounted to $3,194,300, compared with $3,302,834 in the 1943 fiscal year. Profits were equivalent to a return of 4.10% of capital, reserve and undivided profits, compared with 4.30% in the preceding fiscal year.

The 74th annual statement of The Dominion Bank, Toronto, Canada, for the year ended Oct. 31, 1944, shows substantially higher deposits, with relative increase in Government securities and higher commercial loans, and indicates a strong cash and liquid position. Net profits, after providing for all taxes, including Dominion Government taxes of $834,000, amounted to $925,974, from which $110,000 was contributed to the officers' pension fund; $150,000 written off bank premises; dividends of 8% per annum amounting to $560,000 paid, and $105,974 was added to profit and loss account. Total assets of $275,341,000 showed an increase of $51,496,000 over last year, while total deposits amounting to $247,839,000 increased over $51,000,000. Dominion and Provincial Government bonds increased $38,000,000 to $143,636,000. Commercial loans and discounts in Canada now amount to $65,759,000, an increase of $5,500,000. Cash assets exceed $48,000,000 and represent 19% of public liabilities, while immediately available assets of $196,000,000 are over 77% of total liabilities to the public. Capital of $7,000,000 and reserve fund of $7,000,000 remain unchanged. Undivided profits were $1,071,000. The annual meeting of the bank will be held in Toronto, Canada, on Dec. 13.

All-time year-end highs for deposits and total assets feature the 113th annual statement of The Bank of Nova Scotia, which is released on Nov. 29. The figures are for the 10 months' period ended Oct. 31, the bank having changed its year-end from Dec. 31. Assets of $542,480,713 show an increase of $49,000,000. Net profits are $1,445,420 for the 10 months' period. This compares with $1,717,961 for the previous 12-month period. The usual strong liquid position is maintained.

Other interesting items include increases of approximately $[illegible]000,000 in total deposits and $44,000,000 in investment account, reflecting, respectively ,the savings of the Canadian people out of a record national income and the participation of the bank in short-term financing for the Dominion Government. Loans are down roundly $2,400,000.

Cash, clearings and balances due from other banks, $119,853,452, represent, it is stated, 23.72% of total liabilities to the public. Total quick assets, which include the above, together with investments and call and short loans secured by stocks and bonds amount to $383,546,705 and represent 75.93% of liabilities to the public. The latter figure compares with 73.53% at date of last statement.

Investment account now aggregates $254,650,467, of which 90.8% is in Dominion and Provincial securities, and 51.9% is in Dominion and Provincial securities maturing within two years. Investments include $8,446,159 in municipal securities, $8,614,704 in public securities other than Canadian, and $6,347,400 in other bonds, debentures and stocks, all at not exceeding market value.

Loans other than call loans totaling $123,689,451 are down roundly $2,700,000 since last statement. Current loans in Canada are down roundly $7,000,000, while loans elsewhere than in Canada are up $3,800,000, while loans to Provincial and municipal governments and call loans are practically unchanged. Acceptances and letters of credit outstanding are up over $3,000,000.

Total deposits are $472,849,484, an increase of $46,095,557. Interest-bearing deposits of the public show an increase of over $35,000,000 over the 10 months' period, notwithstanding the substantial withdrawals made during two Victory loan campaigns. Deposits of Dominion and Provincial Governments at $21,075,000 are down $29,000,000, and demand deposits of the public are up nearly $39,000,000. Net earnings for the 10 months are $1,445,420 after taxes of $1,736,508, of which $203,271 is refundable under the provisions of the Excess Profits Tax Act. Net earnings for the previous year were $1,717.961 after taxes of $1,542,488. The annual meeting of the shareholders will be held in Halifax on Dec. 6.

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal Intermediate Credit Banks was concluded Nov. 16 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $20,540,000 0.85% consolidated debentures dated Dec. 1, 1944, due June 1, 1945, and $28,975,000 0.90% consolidated debentures dated Dec. 1, 1944, and due Sept. 1, 1945. Both issues were placed at par. Of the proceeds, $39,425,000 will be used to retire a like amount of debentures due Dec. 1, 1944, leaving $9,910,000 for new money purposes. As of Dec. 1, 1944, the total amount of debentures outstanding will be $279,825,000.